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February 7, 2011

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

Re: Proposed Rulemaking: Swap Data Recordkeeping and Reporting Requirements; RIN 3038-AD19

Dear Secretary Stawick:

Freddie Mac is pleased to submit these comments in response to the Proposed Rulemaking regarding swap data recordkeeping and reporting requirements published by the Commodity Futures Trading Commission (the "Commission") on December 8, 2010 (the "Proposal")¹ pursuant to Sections 727, 728 and 729 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act").

Freddie Mac was chartered by Congress in 1970 with a public mission to stabilize the nation's residential mortgage markets and expand opportunities for homeownership and affordable rental housing. Our statutory mission is to provide liquidity, stability and affordability to the U.S. housing market. Freddie Mac uses swaps to hedge large-scale commercial risks on an ongoing basis. Freddie Mac currently operates under the direction of the Federal Housing Finance Agency as our Conservator.

Summary

Freddie Mac supports the goals of increasing transparency, promoting standardization and reducing systemic risk in the swaps market. However, we are concerned with the Commission's proposal to place reporting burdens on hedging or "end-user" counterparties when transacting with swap dealers or major swap participants ("MSPs") when only the end-user counterparty is a U.S. person. For the reasons described below, we believe that the burden of reporting properly should be allocated to the market professional in transactions subject to reporting by one of the parties, notwithstanding which party is a U.S. person.

Discussion

Under Section 729 of the Dodd-Frank Act, each swap that is not accepted for clearing by a derivatives clearing organization must be reported to a swap data repository ("SDR") or the Commission if no SDR accepts the swap.² Section 729 assigns the reporting obligation (i) to

¹ 75 Fed. Reg. 76574.

² Commodity Exchange Act ("CEA") § 4r(a)(1), added by § 729 of the Dodd-Frank Act.

the swap dealer or MSP, for swaps in which only one party is a swap dealer or MSP; (ii) to the swap dealer, for swaps between a swap dealer and a MSP; and (iii) by agreement of the parties, in all other cases.³ However, the Proposal would provide that where only one counterparty to a swap is a U.S. person, the U.S. person would be the reporting party.⁴ The Proposal indicates that the Commission "believes this approach is necessary in order to ensure compliance with reporting requirements in such situations."⁵

Freddie Mac believes that U.S. person status should not dictate reporting obligations in transactions between market professionals and end-user counterparties. As a major end-user, Freddie Mac routinely transacts swaps with a number of non-U.S. persons. We would expect all such entities to become registered swap dealers with the Commission. As the Commission recognizes, "it is appropriate for [swap dealers] and MSPs to have the responsibility of reporting with respect to the majority of swaps, because they are more likely than other counterparties to have automated systems in place that can facilitate reporting."⁶ We agree with the Commission in this regard and further believe that the registration of such persons with the Commission should ensure compliance with the swap reporting requirements of the Dodd-Frank Act.⁷ Accordingly, consistent with the Dodd-Frank Act, Freddie Mac urges the Commission to revise the Proposal in order to assign the swap reporting obligation in transactions between market professionals and end-users to the market professional where it can be most efficiently handled and properly belongs.

Conclusion

Freddie Mac supports the goals of the Dodd-Frank Act, and the proposed Commission regulations thereunder, to increase market transparency, promote standardization and reduce systemic risk in the swaps market. However, we believe that the appropriate regulatory approach to achieve these goals in all transactions between a market professional and an end-user in which one transacting party is responsible for reporting, should properly allocate the burden of reporting on the market professional, rather than on the end-user.

* * *

Freddie Mac appreciates the opportunity to provide our views in response to the Proposal. Please contact me if you have any questions or would like further information.

Sincerely,



Lisa M. Ledbetter

³ CEA § 4r(3).

⁴ Proposed 17 C.F.R. §§ 45.5(d) and (f).

⁵ 75 Fed. Reg. 76593.

⁶ Id.

⁷ Freddie Mac also believes that the Commission should not reallocate by regulation the responsibility for reporting swap transactions assigned by the statutory provisions of Dodd-Frank, as summarized above.