

VIA E-MAIL AND ON-LINE SUBMISSION

David Stawick
Secretary of the Commission
Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st Street, NW
Washington, DC 20581
secretary@cftc.gov

Re: Swap Data Recordkeeping and Reporting Requirements (RIN 3038-AD19); Real-Time Reporting of Swap Transaction Data (RIN 3038-AD08)

Dear Mr. Stawick,

The World Federation of Exchanges (“WFE” or “Federation”) is a non-profit trade association of 52 publicly regulated stock, futures and options exchanges operating worldwide. The Federation contributes to the development, support and promotion of organized and regulated securities and derivatives markets. Under the Federation’s umbrella, the International Options Market Association (“IOMA”) brings together senior managers from the world’s futures and options exchanges and clearing houses. Given the expertise IOMA can offer the CFTC on this inquiry, as chairman I am signing this response.

New real-time reporting and swap data repository rules in the U.S. will likely have implications for global derivatives markets, and therefore WFE welcomes the opportunity to comment on two Commodity Futures Trading Commission (the “CFTC”) proposed rulemakings regarding Swap Data Recordkeeping and Reporting Requirements¹ and Real-Time Reporting of Swap Transactions². IOMA wishes to respond, because we represent the leading regulated and

¹ See 75 FR 76574 (December 8, 2010).

² See 75 FR 76139 (December 7, 2010).

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transparent trading and clearing venues in the countries and regions where our member exchanges and clearinghouses reside. Our member exchanges and clearinghouses provide market data distribution, clearing infrastructure, and data warehousing capabilities and expertise that can be leveraged to efficiently bring transparency to the marketplace and provide regulatory bodies with a greater understanding of systemic risks related to derivative positions.

Under The Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (“DFA”), the Commodity Exchange Act (“Act”) is amended to establish a comprehensive regulatory framework for the reporting of swap data, including real-time public dissemination of certain transaction information. The DFA directs the CFTC to implement a comprehensive system of trade reporting and recordkeeping with respect to swap transactions.

Reporting Standards Must be Harmonized

The need to coordinate efforts in implementing this trade reporting and recordkeeping system with international regulators is very important. Initiatives regarding swap data reporting requirements in Europe and other parts of the globe are moving ahead. Swap market participants often deal in multiple jurisdictions and are subject to multiple regimes. The CFTC has an opportunity to establish standards that other regulators considering the same issues may choose to replicate in some ways. The CFTC should take advantage of this opportunity to produce reporting standards that can be synchronized.

With regards to swap data reporting, the CFTC and the U.S. Securities and Exchange Commission (“SEC”) have both issued complex rule sets under their respective jurisdictions. While similar, these proposals are not the same. The adoption of these current proposals would require market participants to build reporting systems that act in accordance with the requirements of two distinct organizations. Such action would be costly and unnecessary. The Federation encourages both the CFTC and the SEC to harmonize their efforts to make sure that there are no substantive differences between their reporting requirements.

The Most Efficient, Least Expensive and Simplest Option – DCOs Should Act as Warehouse for Cleared Transactions

IOMA supports bringing greater transparency to the global over-the-counter (OTC) markets. This can be done best by establishing parameters on the level of transparency required, and allowing private entities to provide reporting and other data services to the market and to regulators through swap data repositories (“SDR”). Clearing organizations and associated exchanges have invested significantly in their trade warehousing and reporting technology along

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with their data distribution capabilities, and these ready assets should be leveraged. Continued innovation should be encouraged.

In an effort to both satisfy the statutory guidelines and move toward global regulatory uniformity, IOMA and the Federation believe that the CFTC should be focused on choosing the most efficient, most cost effective and simplest means available. Rather than building from the ground up, the CFTC should look to existing structures, when possible, to accomplish this objective. With regards to the requirements to make regulatory reports for cleared transactions, the Federation encourages the CFTC to reconsider its current proposal in order to better take advantage of the current capabilities of derivatives clearing organizations (“DCOs”).

DCOs are the obvious choice to act as repositories for regulatory trade information for cleared transactions. A leading purpose of the regulatory reporting requirements is to provide the CFTC with access to the most accessible audit trail available regarding swaps transaction activity. DCOs already house this information for cleared trades, and will extend that infrastructure to new cleared swap transactions. It would be inefficient, costly and complicated to require the establishment of an unneeded set of expensive connections with unaffiliated DCO SDRs and their perpetual maintenance for the redundant purposes of regulatory reports on cleared trades. It is particularly concerning when considering the goal of creating global regulatory uniformity and in recognizing that such costs would likely be passed on to end-users. In many cases, such connections already exist between many of the DCOs that clear swap trades and the execution venues that match trades for clearing purposes. These connections can be efficiently leveraged by the CFTC for reporting purposes. After initial execution, all reportable information regarding a particular swap transaction thereafter originates from the DCO, given the replacement trades and relationship of the clearing organization with each original trade counterparty.

IOMA’s view is that the CFTC require the initial regulatory report for a cleared trade to be sent to the DCO that is clearing the trade, or to an SDR affiliated with such DCO. This would satisfy the statutory guidelines of the DFA and reduce the amount of connectivity required, lowering operating costs and operational risk.

When Setting Effective Dates, the CFTC Must Consider the Scope of Implementation

Realistic deadlines for compliance with reporting requirements must be instituted. The resources and manpower needed to comply with an entirely new reporting regime must be taken into consideration. The CFTC should set compliance dates that reflect the time needed to carry out such a task and consider a phased approach for these rule areas, as may be needed, specifically contemplating working first with clearing eligible products serviced by DCOs.

The need to promote transparency in the swap market must be balanced against the costs, operational burdens, and reduced liquidity that may result if the Commission does not satisfactorily consider the complex dynamics of the OTC swap market. Therefore, we would

recommend a phased approach, requiring regulatory and post-trading market transparency within more flexible deadlines. The first phase of this recommended approach would involve reporting cleared swap transaction, and a latter phase would address the non-cleared swap markets.

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IOMA and WFE thank the CFTC for the opportunity to comment on this matter.

Sincerely,



Ravi Narain
IOMA Chairman
Managing Director & CEO, National Stock Exchange of India

Cc: Jacqueline Mesa, Director of International Affairs, CFTC
IOMA Board of Directors
WFE Board of Directors and members