

4 April 2011

Commissioner Scott D. O'Malia
Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st Street, NW
Washington, DC 20581

Dear Commissioner O'Malia,

The Investment Management Association represents the investment management industry in the UK. Our members manage more than \$5 trillion of assets on behalf of a wide range of clients including pension funds, insurance companies and investors in retail mutual funds.

We support the US and EU efforts to improve the way the derivatives markets function. In particular, we support the introduction of central clearing as we believe it will bring substantially greater financial stability and provide additional – and very useful – transparency for clients.

In your speech of 24 February, you urged the market participants to submit their comments about their preferred order in which the final rules should be published. Although we do not propose to comment on the relative importance of specific rules, we are writing to make a more general point about timing. We also have a related plea on the issue of extraterritoriality.

It is of fundamental importance that the US and EU rulemaking is properly aligned. The market is global and regulation should reflect this. There are many instances where it could be positively harmful if the two sets of rules diverged. For example, if foreign exchange derivatives are not treated in the same way, regulatory arbitrage would almost inevitably follow.

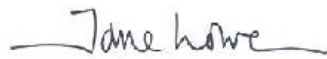
We are aware that you have a continuous dialogue with the EU regulatory authorities. We hope that this results in something tangible.

We are also concerned with the extraterritorial application of US rules and wish to make a plea with regard to the timetable. It is understandable that this area of rulemaking will be of secondary concern compared to domestic rule-making and implementation. But it is crucial that the impact on non-US entities is not left in doubt and that if rules are to be applied to them, their considerations should be assessed at the same time. Otherwise, there is a real risk that firms outside the US who may end up being caught by the rules will have no time to prepare. Additionally, there is likely to be continuing uncertainty about scope that is detrimental to client interests without achieving anything of benefit to regulators in the interim.

Our members would not wish to end up in breach of the Dodd-Frank rules but they are currently finding it very difficult to assess how they may be affected. The operational and logistical complexity of full compliance should not be underestimated. We therefore hope that this issue will be given due prominence.

We suggest that a practical way of handling it may be to timetable rules implementing any extra-territorial reach towards the end of your rule-making process as these rules may apply to firms authorised within or operating from IOSCO member countries. We also suggest that final rules in this area should be implemented with appropriate notice of not less than 6 months.

Yours faithfully,

A handwritten signature in cursive script that reads "Jane Lowe". The signature is written in black ink and is positioned above the typed name and title.

Jane Lowe
Director, Markets