



November 4, 2011

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

Re: CFTC Proposed Compliance and Implementation Schedules for Clearing, Trade Execution, Documentation and Margin (RIN 3038-AD60; RIN 3038-AC96; RIN 3038-AC97)

Dear Mr. Stawick:

The Futures Industry Association (the “**FIA**”), International Swaps and Derivatives Association (“**ISDA**”) and Securities Industry and Financial Markets Association (“**SIFMA**,” and together, the “**Associations**”)<sup>1</sup> appreciate the opportunity to comment on the Commodity Futures Trading Commission’s (the “**CFTC**’s”) proposed compliance and implementation schedules for swap clearing and trade execution<sup>2</sup> and for swap documentation and margin<sup>3</sup> (together, the “**Proposals**”) under Title VII of the Dodd-Frank Wall Street Reform and Consumer Protection Act (“**Title VII**” of the “**Dodd-Frank Act**”).

## **Executive Summary**

The Associations support an orderly and efficient transition of the swap markets to the new market structure and regulatory regime required by Title VII. We believe that a successful transition requires a plan that is comprehensive, transparent and minimally disruptive to the continued operation of the swap markets. By articulating a “phase-in approach” to implementation for different categories of market participants, the Proposals lay a cornerstone for such a plan. However, the Associations believe that this phase-in

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<sup>1</sup> Further information about the Associations is available in Appendix A.

<sup>2</sup> Swap Transaction Compliance and Implementation Schedule: Clearing and Trade Execution Requirements under Section 2(h) of the CEA, 76 Fed. Reg. 58,186 (Sept. 20, 2011) (the “**Clearing and Trade Execution Implementation Proposal**”).

<sup>3</sup> Swap Transaction Compliance and Implementation Schedule: Trading Documentation and Margining Requirements under Section 4s of the CEA, 76 Fed. Reg. 58,176 (Sept. 20, 2011) (the “**Documentation and Margin Implementation Proposal**”).

approach must be incorporated into a comprehensive plan that recognizes and accounts for the significant serial dependencies and interdependencies which lay at the core of the Title VII transition process. Thus, we propose a plan that sequences Title VII requirements in three stages: first, establishing and implementing swap data repositories (“**SDRs**”) and requiring regulatory reporting and related recordkeeping to equip regulators with the market information needed to better regulate the market; second, implementing registration, certain business conduct requirements, clearing and capital and margin rules to reduce operational and systemic risk; and third, implementing the swap execution facility (“**SEF**”) and designated contract market (“**DCM**”) execution requirements and real-time public reporting and recordkeeping to achieve pre-trade price transparency. Swaps entered into before the mandatory compliance date for a given Title VII requirement would be grandfathered from compliance with that requirement.

Within each of the three stages we identify, compliance would be phased-in by type of market participant, as in the Proposals. However, we believe that slight changes to the Proposals are necessary. Compliance would first be required of the largest and most sophisticated market participants—swap dealers, major swap participants (“**MSPs**”) and “active funds,” those private funds that exceed a threshold of swap activity. The threshold for “active funds” should be increased from 20 or more swaps per month, as in the Proposals, to 200 or more swaps per month to avoid including funds that are unlikely to be able to comply on an accelerated time frame.<sup>4</sup> Next, compliance would be required of private funds (other than “active funds” described above), commodity pools, ERISA benefit plans and other financial entities, in each case that are not third-party funds or third-party subaccounts (each as defined below). A private fund would be required to represent to its counterparties that it is not an “active fund” and counterparties would be able to rely on this representation in assuring they are in compliance with phase-in requirements. Finally, nonfinancial end users, third-party funds and third-party subaccounts would be required to comply in the third phase. A “third-party fund” would be defined as any fund that is not a private fund and is sub-advised by a subadvisor that is independent of and unaffiliated with the fund sponsor. A “third-party subaccount” would be defined as any account that is not a fund and is managed by an asset manager, irrespective of the level of delegation granted by the account owner to the asset manager.<sup>5</sup> All accounts managed for third parties should be in the third phase as managers may want to consult with the third-party owners, regardless of the amount of discretion contained in the management agreement. Managers should be able to institute the same procedures for all third-party accounts.

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<sup>4</sup> The CFTC has recently proposed that a DCM may not list any futures contract unless at least 85% of the total volume of the contract is traded on the DCM’s centralized market. See Core Principles and Other Requirements for Designated Contract Markets, 75 Fed. Reg. 80,572, 80,616 (Dec. 22, 2010). Futures contracts that do not meet this threshold would be converted to swaps, subject to transitional rules proposed by the CFTC. If the CFTC adopts this proposal, the number of swaps many market participants enter into will increase rapidly, and a higher threshold for “active funds” would be needed to take account of this extraordinary trading activity.

<sup>5</sup> For example, many subaccounts provide general grants of authority, but it may not be clear whether the manager needs to obtain specific approval of the beneficial owner to execute documentation necessary for clearing.

The length of time for each phase by market participant should be extended beyond the 90-, 180- and 270-day thresholds in the Proposals to allow for the significant documentation and operational efforts described below. Notwithstanding mandatory compliance dates, any market participant would be permitted to voluntarily comply early with respect to any asset class, which would allow a wide variety of market participants, particularly buy-side participants, to take part in the development of Title VII-compliant infrastructure. Compliance within each of the three stages would also be phased-in by asset class, with asset classes most prepared to meet any particular requirement becoming subject to that requirement first. As with phase-in by type of market participant, compliance would be permitted on a voluntary basis with respect to asset classes for which a requirement is not yet mandatory.

This three-stage phase-in approach should be implemented in lockstep with the Securities and Exchange Commission (the “SEC”), self-regulatory organizations such as the National Futures Association (“NFA”) and market infrastructure providers.<sup>6</sup> Such synchronization is essential to ensure that market participants whose swap activities are subject to multiple regulators and self-regulatory bodies can coordinate their own internal work streams to avoid duplication of work or conflicting compliance dates.

The Associations believe that a number of rules must be finalized before the three-stage implementation process can begin.<sup>7</sup> For example, the definitions of “swap,” “swap dealer” and “major swap participant” must be finalized so that market participants know which rules apply to them. A list of rules that the Associations believe must be finalized before Title VII requirements are implemented can be found in Appendix D.<sup>8</sup> In addition, the Associations strongly believe that the CFTC and SEC must clearly articulate final positions on the extraterritorial application of Title VII before implementation can begin in earnest. Until that time, market participants will not be able to fully analyze the critical entity structuring issues that allow them to determine which entities to register and prepare for Title VII compliance.

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<sup>6</sup> SEC Chairman Schapiro recently stated that the SEC intends to propose a detailed implementation plan that “will permit a roll-out of the new securities-based swap requirements in a logical, progressive and efficient manner, while minimizing unnecessary disruption and costs to the market.” Speech by Chairman Schapiro at Oct. 12, 2011 Open Meeting, *available at* <http://sec.gov/news/speech/2011/spch101211mls-sbs.htm>.

<sup>7</sup> For a further description of the difficulty of implementing Title VII requirements before all Title VII rules are finalized, please see Letter from Robert Pickel, Executive Vice Chairman, ISDA to David A. Stawick, Secretary, CFTC, June 9, 2011, *available at* <http://comments.cftc.gov/PublicComments/ViewComment.aspx?id=45701>.

<sup>8</sup> The list in Appendix D includes CFTC rules that the Associations believe are prerequisites to the phase-in of a particular requirement. In most cases, the parallel SEC rule is also necessary before the CFTC requirement can be phased-in so that market participants can make informed entity selection, business, operational, legal and compliance decisions based on the entire Title VII landscape and how it applies to their swap and security-based swap transactions.

**Stage 1: Equip regulators with the information needed to further implement Title VII through functioning SDRs and effective regulatory reporting and related recordkeeping.**

Functioning SDRs and effective regulatory reporting of swap transactions is a prerequisite to an orderly transition to the Title VII regime. Once it begins to compile data across markets, entities and transactions, the CFTC will be well-positioned to determine which types or classes of transactions should become subject to mandatory clearing and in what order and how to implement and monitor compliance with business conduct and other swap dealer rules. As stated by the Financial Stability Board's OTC Derivatives Working Group in a recent report, "authorities need better data on liquidity to facilitate the evaluation of suitability of products for central clearing."<sup>9</sup>

Thus, we propose implementing the first stage in the following sequence: (1) establish standardized entity and data identifiers, (2) implement rules governing SDRs, (3) require swap dealers and MSPs to report trades to SDRs<sup>10</sup> and (4) require swap dealers and MSPs to keep core internal records. It would be more efficient and effective to finalize industry standards, including Legal Entity Identifiers ("LEIs") and Unique Swap Identifiers ("USIs"), before reporting begins. Otherwise, matching trades between counterparties will be more difficult, increasing the risk of duplicative data within an SDR and making data aggregation across SDRs impossible. Reversing this order would also lead to inefficiencies and delays, requiring market participants to modify systems built before the data standards are finalized. While these industry standards are being developed, SDRs can begin developing systems and processes for data collection.

Once SDRs are registered and swap dealers and MSPs have connected to them, data reporting can begin. Swap dealers and MSPs will not be able to provide, and SDRs will not be able to accept, all data on Dodd-Frank Act-compliant timelines on the first day of operation. Instead, there will need to be an iterative process to develop the procedures and connections needed to ultimately report all Dodd-Frank Act-required data in the appropriate time frame. In Appendix C, the Associations suggest a model five-step

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<sup>9</sup> Financial Stability Board, "OTC Derivatives Market Reforms Progress Report on Implementation" (Oct. 11, 2011), *available at* [http://www.financialstabilityboard.org/publications/r\\_111011b.pdf](http://www.financialstabilityboard.org/publications/r_111011b.pdf).

<sup>10</sup> If there is no swap dealer counterparty to the swap, an MSP counterparty to the swap would be required to report. If there is no swap dealer or MSP counterparty to the swap, the counterparties would choose who reports. The Associations understand this to be the hierarchy set out in the CFTC's reporting proposals, other than the fact that, for non-real-time reporting, the U.S. counterparty will be the reporting party for any swap in which there is one U.S. and one foreign counterparty. *See, e.g.,* Reporting, Recordkeeping, and Daily Trading Records Requirements for Swap Dealers and Major Swap Participants, 75 Fed. Reg. 76,666 (Dec. 9, 2010); Real-Time Public Reporting of Swap Transaction Data, 75 Fed. Reg. 76,140 (Dec. 7, 2010). The Associations believe that the swap dealer-MSP-end user reporting hierarchy should govern even if the end user is a U.S. entity and the swap dealer is a foreign entity, as end users will not have the infrastructure to report swap trades and will rely on their swap dealers to do so. Any end users that are required to report should not be required to do so until Stage 3. Though registration is not required until Stage 2, market participants could gauge whether they are likely to become a swap dealer or MSP based on the final CFTC rules and report accordingly.

approach to data reporting that begins with regulatory reporting of basic trade information such as trade and product type, counterparties and key economic trade terms on a position basis. Subsequent phases would include reporting of valuation data (other than collateral valuation), swap confirmation reporting and modifications or changes in economic terms. The final phases would incorporate the remaining requirements for reporting under the Dodd-Frank Act.<sup>11</sup> The Associations believe that reporting for amendments, novations or terminations of swaps would require significant development to implement. As a result, such lifecycle reporting would not be required until Stage 3.

Reporting would also be phased-in by asset class, based on whether reporting infrastructure and data exist. In the case of credit derivatives, a great deal of information is already reported to the Depository Trust and Clearing Corporation's Trade Information Warehouse ("TIW"). By leveraging this existing facility and cache of information, the CFTC can provide time for SDRs to develop for other asset classes, learning from the experiences of TIW. In the case of foreign exchange ("FX"), while no data repository exists for FX, this market has been actively working and partnering with the DTCC and SWIFT in the development of an SDR that, to the greatest extent practicable, leverages existing FX infrastructure and well-established market practices surrounding confirmations to populate an SDR in a safe and timely manner.

Swap dealers and MSPs would also need to maintain transaction records in Stage 1, including documentation that codifies an order or transaction and position records (the "**core recordkeeping requirements**"). As currently proposed, the CFTC's recordkeeping requirements would also require swap dealers and MSPs to maintain extensive records beyond core recordkeeping requirements to include all pre- and post-trade communications, including oral communications and quotes provided or received. These non-core records would need to be maintained electronically, be retrievable in a short time period and be searchable by counterparty and transaction. These requirements far exceed existing recordkeeping requirements currently applicable to futures commission merchants or other regulated entities. Given this fact, no technology currently exists that would allow swap dealers to comply with all of the non-core recordkeeping requirements. As a result, significant time, as well as technological and operational resources, will be needed to implement these non-core requirements, if they can be implemented at all. Due to the complexity of the systems involved and interdependencies between parts of the system, changes must be sequenced and cannot all be implemented at once, regardless of the resources devoted to the task. As a result, it would be very hard, if not impossible, to comply with both the core and non-core recordkeeping requirements in a short- or medium-term time frame. Therefore, the Associations would recommend that, if the CFTC requires this type of searchable file, it and the other non-core recordkeeping requirements be implemented late in Stage 3.

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<sup>11</sup> The Associations remain concerned that the Dodd-Frank Act's trade reporting requirements may conflict with financial institutions' duties under privacy and data protection laws in Europe. Letter from James Kemp, Global Foreign Exchange Division, to David A. Stawick, Secretary, CFTC (Feb. 7, 2011), available at <http://comments.cftc.gov/PublicComments/ViewComment.aspx?id=31872>.

**Stage 2: Reduce operational and counterparty risk through registration, core business conduct requirements, clearing and capital and margin rules.**

The second stage in the transition to compliance with the Title VII regime would be sequenced as follows: (1) registration of swap dealers and MSPs, (2) mandatory compliance with core business conduct requirements, (3) phasing-in of mandatory clearing and (4) mandatory compliance with margin and capital rules. Market participants would comply with the documentation rules relevant to each of these requirements as they are phased in.

The first step in this stage would be registration of swap dealers and MSPs. Data collected in Stage 1 will help the CFTC further calibrate the definitions of swap dealer and MSP before registration is required. The market will then separate out by type of participant: swap dealers, MSPs, financial end users and commercial end users. Market participants will then know their categorization and can comply with the rules required of them.

As with recordkeeping requirements, the Associations believe that the external business conduct standards proposed by the CFTC should be implemented in different stages. In Stage 2, registered swap dealers and MSPs would be required to comply with know-your-counterparty requirements, standardized risk and conflicts disclosure, clearing disclosure, requirements applicable to political contributions and anti-fraud and anti-manipulation requirements other than those connected to DCM or SEF trading (“**core business conduct requirements**”). Non-core business conduct requirements, however, would be deferred until Stage 3. These include business conduct requirements related to special entities, bespoke risk and conflicts disclosure, the requirement to provide daily marks to counterparties, disclosure of daily mid-market values, scenario analyses and requirements related to trade execution. These non-core business conduct requirements will require significant legal, compliance, operational and technological work by the swap dealers and MSPs required to implement them and, in the case of trade execution-related business conduct requirements, would be premature to introduce before mandatory trade execution is implemented.

Mandatory clearing would then begin. Data collected in Stage 1 will help the CFTC assess whether a particular swap or category of swaps should be required to be cleared. In addition, during Stage 1, clearinghouses will have had sufficient time to finalize their swap offerings, clearing members will have had time to develop and test connectivity to clearinghouses and financial entities are more likely to have had sufficient time to negotiate necessary and appropriate documentation. Again, clearing would be phased-in by type of market participant (along the lines outlined in the Proposals) and by product category, most likely beginning with interest rate and credit default swap products for which clearing options currently exist. Commodity swaps and equity swaps would be

required later, as they are generally transacted bilaterally in markets that have not been characterized by central clearing.<sup>12</sup>

The Associations preliminarily believe that the first mandatory clearing requirements for buy-side participants should come into effect in the second quarter of 2013, which is 18 months from now. However, further delays in Stage 1 may postpone this date. In addition, the CFTC's final decision on protection of cleared customer collateral, including whether the CFTC chooses a full segregation or "legally segregated / operationally commingled" ("LSOC") model, may affect the amount of time derivatives clearing organizations ("DCOs"), swap dealers, MSPs, futures commission merchants and customers need to prepare for clearing.

After mandatory clearing has been implemented, capital and margin for uncleared swaps can be phased-in. If these requirements, particularly uncleared swap margin, are implemented before clearing, compliance would become mandatory for certain market participants as a practical matter prior to becoming mandatory for them as a regulatory matter. Accordingly, rules relating to uncleared swap margin should not apply to a market participant for swaps that are required to be cleared until that market participant is required to clear the particular swap. For example, consider a third-party subaccount that wishes to enter into a specific interest rate swap that is required to be cleared if two swap dealers enter into a trade but is not yet required to be cleared by the third-party subaccount. If the third-party subaccount is subject to uncleared margin posting requirements for that interest rate swap, and uncleared margin requirements are higher than those a clearinghouse would require, the third-party subaccount will be forced to either clear the swap, which it may not be prepared for, or to pay high margin amounts.

The Associations believe that it is particularly important that the 90-, 180- and 270-day time frames for compliance in the Proposals be significantly lengthened for this Stage. The Dodd-Frank Act requires unprecedented new market infrastructure, technology, compliance, legal and operational changes. The Associations believe that the necessary operational and technological changes alone may take more than 1 year from the time the rules are finalized to implement. Unless sufficient time is provided for each of these components to adequately develop, all market participants (and particularly end users) will face interruptions in their ability to enter into swaps to hedge their business risks or manage investments to meet client objectives. Even a prepared swap dealer cannot meet the Dodd-Frank Act's clearing mandate until clearinghouses are up and running, buy-side firms enter into clearing and execution documentation arrangements, swap data

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<sup>12</sup> Additional time will be required to address clearing of FX options, since trades are settled on a physical, not cash, basis. These clearing solutions will need to satisfy the principles proposed by the Bank for International Settlements Committee on Payment and Settlement Systems ("CPSS") and International Organization of Securities Commissions ("IOSCO") in March 2011, including measures to guarantee full and timely physical settlement and ensure that the guaranties are credible and address extreme but plausible market conditions. If FX swaps and forwards are not ultimately exempted from Title VII clearing requirements by the Treasury Secretary, as proposed, additional time will be needed to develop clearing solutions for these products as well.

repositories begin accepting transaction reports and collateral and risk management systems are operational and have been adequately tested.

The Associations believe that overly short time frames are particularly problematic with respect to changes in documentation that will be required not only by the documentation proposals,<sup>13</sup> but also by the clearing, exchange trading and margin mandates. The number of documentation changes that need to be negotiated is overwhelming. No Dodd-Frank Act-compliant industry standard exists for these documents and current agreements do not address a number of key business issues related to clearing and exchange trading of swaps. Even when industry-wide templates are developed, customers will need to be educated and informed about their contents. Importantly, even standard documentation will need to be individually negotiated to account for counterparty-specific issues. If the CFTC's documentation rules remain as proposed, market participants may need time beyond Stage 2 to complete compliant documentation. In addition, if the CFTC adopts its proposed rule prohibiting DCMs from listing a futures contract if fewer than 85% of trades occur on the DCM's centralized market, many contracts currently traded as futures will be converted to swaps and additional documentation will be required.<sup>14</sup>

Large swap dealers and futures commission merchants estimate they will need to negotiate, sign or amend a total of about 100,000 documents each with over 10,000 counterparties<sup>15</sup> over the course of one to two years, an undertaking that will cost millions of dollars.<sup>16</sup> These documents include ISDA master agreements, credit support annexes, custody agreements, client representation letters, execution agreements, futures agreements, clearing agreements and SEF and DCO agreements, among others. Swap dealers will need to devote significant resources to this effort; one member has indicated that they will need to hire 15 new document negotiators for a period of 6 months just to handle document negotiations with their 200 largest clients, and that up to 75 would be required to negotiate documentation with all clients if documentation was required to be completed in a 6-month period. The burden on buy-side participants is also overwhelming. In one example, one asset manager may have 2,000 accounts, each of which might need 10 execution

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<sup>13</sup> See Customer Clearing Documentation and Timing of Acceptance for Clearing, 76 Fed. Reg. 45,730 (Aug. 2, 2011); Swap Trading Relationship Documentation Requirements for Swap Dealers and Major Swap Participants, 76 Fed. Reg. 6715 (Feb. 8, 2011); Orderly Liquidation Termination Provision in Swap Trading Relationship Documentation for Swap Dealers and Major Swap Participants, 76 Fed. Reg. 6708 (Feb. 8, 2011); Business Conduct Standards for Swap Dealers and Major Swap Participants With Counterparties, 75 Fed. Reg. 80,638 (Dec. 22, 2010) and other Title VII proposals requiring changes to swap documentation.

<sup>14</sup> See *supra* note 4.

<sup>15</sup> Some of these counterparties may not engage in new swap trades and, as a result, documentation will not need to be amended. However, members of the Associations find it difficult to gauge at this point how many counterparties will wish to enter into swap transactions with them on an ongoing basis.

<sup>16</sup> Depending on the content of final CFTC rules relating to documentation, the period may be longer.



agreements, 3 clearing documents, 10 tri-party segregation documents for initial margin and 10 new or revised ISDA master agreements with counterparties—a total of up to 66,000 documents that need to be agreed to, drafted, signed and, in some cases, approved by board action.

Allowing insufficient time to complete this documentation exercise will force asset managers to choose a small number of dealers with which to enter into arrangements in the short term. These are likely to be the largest dealers with standard documentation whose advantages over smaller dealers will be exacerbated. This will negatively affect the competitive positions of small swap dealers, at least for a transitional period. Furthermore, market disruptions are likely to occur as these large dealers will be unable to negotiate with all parties, leaving a substantial number of market participants without access to the swap markets.

### **Stage 3: Increase public transparency through SEF and DCM execution requirements and real-time public reporting and related recordkeeping.**

The third and final stage of transition would be sequenced as follows: (1) SEF and DCM execution requirements, as well as trade reporting for lifecycle events, (2) non-core external business conduct standards, (3) real-time public reporting of transaction data, and (4) non-core recordkeeping requirements.

Within Stage 3, the CFTC would first implement mandatory trading on SEFs and DCMs. Title VII is clear that the execution requirement will automatically apply to transactions that are subject to mandatory clearing so long as a DCM or SEF has made it available for trading. By defining “made available for trading” appropriately, beginning with the liquid products most conducive to robust SEF trading, the CFTC has the authority to sequence this step in a way that ensures an orderly transition to exchange/SEF trading. The Associations believe that the CFTC, rather than the SEFs, should determine when enough liquidity has developed that a swap qualifies as “made available for trading,” and that this determination should be subject to public notice, comment and opportunity for a hearing. The Associations preliminarily believe that the first mandatory trading requirements for buy-side participants should come into effect in the fourth quarter of 2013, which is 24 months from now. However, further delays in Stages 1 and 2 may postpone this date. Lifecycle reporting requirements, including for amendments, novations or terminations of swaps, would be phased-in at the same time.

Next, non-core business conduct requirements would be implemented. The introduction of trade execution requirements, including execution standards and protections against front-running and trading ahead, make most sense in an environment where trading on SEFs or DCMs is required. Deferring non-core requirements to Stage 3 will also allow swap dealers and MSPs sufficient time to develop the bespoke risk and conflicts disclosure, disclosure of daily mid-market values and scenario analyses required by the CFTC.

Real-time reporting requirements would follow mandatory trade execution and non-core business conduct requirements. As the Associations have previously stated, it is critical that the definition of a “block trade” and real-time reporting delays for blocks be carefully set to avoid front-running in the cash markets where block trades are hedged, which would likely lead swap dealers and MSPs to increase the price of block trades for end users. Until a liquid swap trading market develops on SEFs and DCMs, the CFTC will not be able to make informed decisions on the definition of a block or an appropriate public reporting time frame. For the same reason, real-time reporting would be implemented gradually. Block trade thresholds would be set at a low level at first, such that many trades are treated as blocks, and raised slowly by the CFTC when doing so is supported by market data. In addition, market participants would be provided 24 hours before block trade information is publicly disseminated, with the time to public dissemination decreasing as the CFTC learns more about the costs and benefits of various reporting time frames. Finally, non-core recordkeeping requirements, including retention of all pre- and post-trade communications in an electronic format retrievable in a short time period and searchable by counterparty and transaction, would be implemented after real-time reporting.

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The Associations are grateful for the opportunity to comment on the Proposals. Please feel free to contact the Associations should you wish to discuss this letter.

Sincerely,

Futures Industry Association  
International Swaps and Derivatives Association  
Securities Industry and Financial Markets Association

cc: Honorable Gary Gensler, Chairman  
Honorable Bart Chilton, Commissioner  
Honorable Scott O’Malia, Commissioner  
Honorable Jill E. Sommers, Commissioner  
Honorable Mark P. Wetjen, Commissioner  
Commodity Futures Trading Commission  
Honorable Mary L. Schapiro, Chairman  
Honorable Luis A. Aguilar, Commissioner  
Honorable Daniel M. Gallagher, Jr., Commissioner  
Honorable Troy A. Paredes, Commissioner  
Honorable Elisse B. Walter, Commissioner  
Securities and Exchange Commission

## **Appendix A: About the Associations**

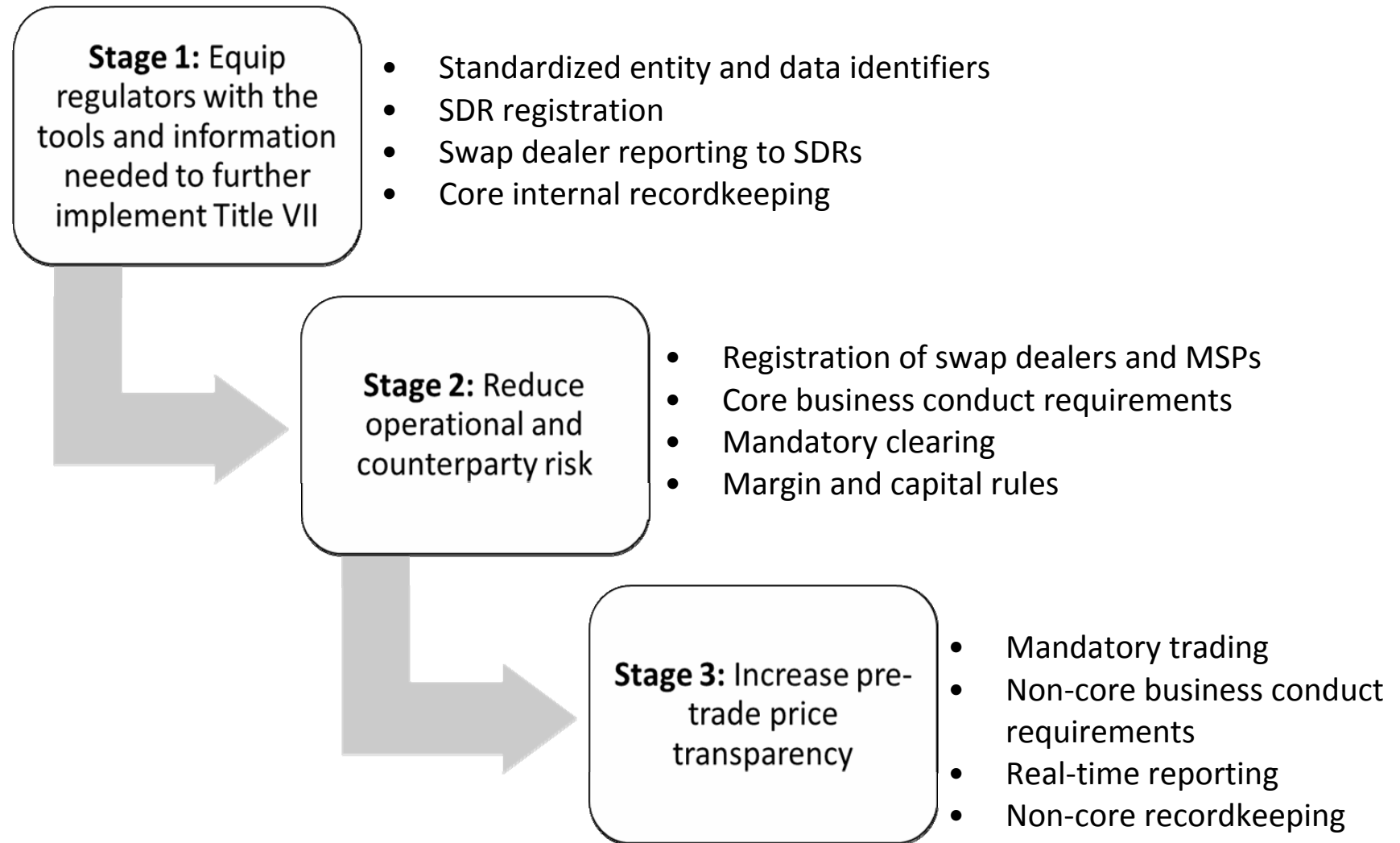
The Futures Industry Association is the leading trade organization for the futures, options and OTC cleared derivatives markets. It is the only association representative of all organizations that have an interest in the listed derivatives markets. Its membership includes the world's largest derivatives clearing firms as well as leading derivatives exchanges from more than 20 countries. As the principal members of the derivatives clearinghouses, our member firms play a critical role in the reduction of systemic risk in the financial markets. They provide the majority of the funds that support these clearinghouses and commit a substantial amount of their own capital to guarantee customer transactions.

FIA's core constituency consists of futures commission merchants, and the primary focus of the association is the global use of exchanges, trading systems and clearinghouses for derivatives transactions. FIA's regular members, who act as the majority clearing members of the U.S. exchanges, handle more than 90% of the customer funds held for trading on U.S. futures exchanges.

ISDA's mission is to foster safe and efficient derivatives markets to facilitate effective risk management for all users of derivative products. ISDA has more than 800 members from 56 countries on six continents. These members include a broad range of OTC derivatives market participants: global, international and regional banks, asset managers, energy and commodities firms, government and supranational entities, insurers and diversified financial institutions, corporations, law firms, exchanges, clearinghouses and other service providers.

SIFMA brings together the shared interests of hundreds of securities firms, banks and asset managers. SIFMA's mission is to support a strong financial industry, investor opportunity, capital formation, job creation and economic growth, while building trust and confidence in the financial markets. SIFMA, with offices in New York and Washington, D.C., is the U.S. regional member of the Global Financial Markets Association. For more information, visit [www.sifma.org](http://www.sifma.org).

## Appendix B: Three-Stage Implementation Process



## Appendix C: Five Model Phases of SDR Reporting<sup>17</sup>

### Phase 1:

- Swap Continuation Data: End of day snapshot for all asset classes. Confirmation and lifecycle data will be provided for credit in line with existing DTCC TIW for 97% of market that is currently electronically processed.

### Phase 2:

- Swap Continuation Data: Valuation data other than collateral will be reported on valuation date + 1. Collateral is not managed at trade level and cannot be incorporated per trade.

### Phase 3:

- Swap Creation Data; Primary economic terms (“**PET**”) and confirmation data will be reported for electronically processed trades.
- Swap Continuation Data: Lifecycle and contract intrinsic data will be reported for electronically processed trades.

### Phase 4:

- Swap Creation Data; PET and confirmation data will be reported for paper processed trades.
- Swap Continuation Data: Lifecycle and contract intrinsic data will be reported for paper processed trades.

### Phase 5:

- All reporting will be compliant with SEC and CFTC rules.

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<sup>17</sup> The Associations note that these phases are meant only to be a model for SDR reporting. Operational builds will be different for reporting of different asset classes, and, as a result, this model may need to be altered for any particular asset class. In addition, the phases may change based on finalized CFTC rules.

## **Appendix D: CFTC Rules Required Before Title VII Requirements Are Phased In**

### **Phase 1**

Before SDRs registration becomes mandatory:

- Final Rules on Registration of SDRs
- Final Rules on SDR Core Principles
- Final Rules on the Definition of “Swap”

Before reporting to SDRs becomes mandatory:

- Final Rules on Swap Data Recordkeeping and Reporting
- Final Rules on the Definition of “Swap”
- Final Rules on Real-Time Public Reporting of Swap Transaction Data

### **Phase 2**

Before registration of swap dealers and MSPs becomes mandatory:

- Final Rules Further Defining “Swap Dealer” and “Major Swap Participant”
- Final Rules on Registration Requirements for Swap Dealers and MSPs
- Final Rules on the Definition of “Swap”

Before clearing becomes mandatory:

- Final Rules on DCO Core Principles (*already completed*)
- Final Rules on End-User Exception to Mandatory Clearing of Swaps
- Final Rules on Review of Swaps for Mandatory Clearing (*already completed*)
- Final Rules on DCOs, DCMs and SEFs Regarding the Mitigation of Conflicts of Interest
- Final Rules on the Definition of “Swap”
- Final Rules on Protection of Cleared Swaps Customer Contracts and Collateral
- Final Rules on Customer Clearing Documentation and Timing of Acceptance for Clearing

Before margin and capital requirements become mandatory:

- Final Rules on Capital for Swap Dealers and MSPs
- Final Rules on Margin for Uncleared Swaps (from both the CFTC and Prudential Regulators)
- Final Rules on Protection of Collateral of Counterparties to Uncleared Swaps and Treatment of Securities in a Portfolio Margining Account in a Commodity Broker Bankruptcy
- Final Rules Further Defining “Swap Dealer” and “Major Swap Participant”
- Final Rules on Registration of Swap Dealers and MSPs
- Final Rules on the Definition of “Swap”

Before business conduct standards becomes mandatory:

- Final Rules on Business Conduct Standards for Swap Dealers and MSPs with Counterparties
- Final Rules Further Defining “Swap Dealer” and “Major Swap Participant” and “Eligible Contract Participant”
- Final Rules on Registration of Swap Dealers and MSPs
- Final Rules on the Definition of “Swap”

### **Phase 3**

Before SEF execution becomes mandatory:

- Final Rules on Registration and Regulation of Swap Execution Facilities
- Final Rules on Core Principles and Other Requirements for Swap Execution Facilities
- Final Rules on Core Principles for DCMs
- Final Rules on DCOs, DCMs and SEFs Regarding the Mitigation of Conflicts of Interest
- Final Rules on the Definition of “Swap”

Before real-time public reporting becomes mandatory:

- Final Rules on Real-Time Public Reporting of Swap Transaction Data
- Final Rules on Registration and Regulation of Swap Execution Facilities
- Final Rules on the Definition of “Swap”