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The Honorable Gary Gensler  
Chairman  
Commodities Futures Trading Commission  
1155 21st St., NW  
Washington, D.C. 20581

The Honorable Mary Schapiro  
Chairman  
Securities and Exchange Commission  
100 F St., NE  
Washington, D.C. 20549

4 April 2012

*(by e-mail)*

Dear Chairman Gensler and Chairman Schapiro,

As you consider the implementation of Title VII of the Dodd Frank Wall Street Reform and Consumer Protection Act (the Dodd Frank Act), the International Regulatory Strategy Group (IRSG)<sup>1</sup> respectfully requests that you consider our concerns regarding the extraterritorial application of these rules and the implications for the international financial system, which we will outline in this letter.

As you know, Section 752 of the Dodd Frank Act requires the U.S. financial and prudential regulators to consult and coordinate with non U.S. regulatory authorities in order to establish consistent and effective regulation of the global derivatives markets. In addition, the G20 member countries have been working to coordinate such rules since 2009. Given that the derivatives market is global in nature, such coordination is important to reduce systemic risk, reduce complexity and ensure these markets are not disrupted. The IRSG strongly supports the ongoing dialogue between authorities in the U.S., EU and other jurisdictions to establish a consistent regulatory framework and is therefore keen for the rules to reflect this coordination as much as possible.

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<sup>1</sup> The International Regulatory Strategy Group is a practitioner-led body comprising leading UK-based representatives from the financial and professional services industries. It aims to contribute to the shaping of the international regulatory regime, at global, regional and national levels, so that it promotes open, competitive and fair capital markets globally, supporting sustainable economic growth. Its role includes identifying strategic level issues where a cross-sectoral position can add value to existing industry views. It is an advisory body both to the City of London Corporation and TheCityUK.

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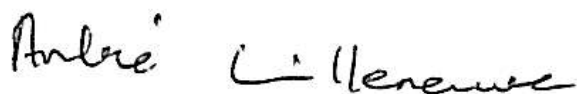
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Although the Dodd Frank Act generally limits the extraterritorial reach of Title VII through Sections 722(d) and 772(c), we are aware that neither the CFTC nor the SEC has clarified the application of their rules outside the U.S. We understand, however, that a provisional registration requirement approved by the CFTC will be triggered when the Commission's legal entity and product definitions are finalised. This registration requirement will require firms that are headquartered in the U.S. and outside the U.S. to decide which entity they must register before the extraterritorial application is known. Many of these firms book their swaps in regulated entities in London and could be faced with significant legal restructuring, should they decide to migrate business from one legal entity to another. This includes re-documentation of client agreements, reallocation of capital, personnel changes and changes in compliance infrastructure, causing significant disruption and requiring capital and resources to be shifted in order to comply with the registration requirement. According to a recent comment letter from organisations representing global financial services firms, these concerns are urgent in light of the possibility of the registration requirement potentially going into effect in the very near future<sup>2</sup>.

We fear, more broadly, that a lack of consistency in adopting OTC derivatives rules could lead to duplicative and/or conflicting requirements for capital, clearing, trading, margin and collateral, which would be excessively costly and inefficient or, at worst, unworkable. In this respect, the IRSG urges the SEC and the CFTC to further strengthen their regulatory dialogue and cooperation with EU authorities to ensure a consistent approach that meets the needs of market users, without major unintended consequences, and avoids unilateral action by either side, or both.

We appreciate your attention to these issues and remain at your disposal to discuss them in further detail.



**Andre Villeneuve**  
**Chairman, International Regulatory Strategy Group**

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<sup>2</sup> 2 February 2012 joint trade association (SIFMA, ABA Securities Association, The Clearing House, Financial Services Roundtable, Futures Industry Association and Institute of International Bankers) letter to the CFTC regarding the registration of swap dealers and major swap participants.