



September 6, 2012

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

Re: Clearing Requirement Determination Under Section 2(h) of the CEA RIN Number 3038-AD86

Dear Mr. Stawick,

The Swaps & Derivatives Market Association (“SDMA”) strongly supports the Commodity Futures Trading Commission’s (the “Commission”) proposed *Clearing Requirement Determination Under Section 2(h) of the CEA*¹ (the “Determination”) for certain classes of credit default swaps (CDS) and interest rate swaps (IRS).

The SDMA is a non-profit financial trade group formed in 2010 to support the goals of the Dodd Frank Act. It believes that systematic risk of OTC derivatives can be mitigated through their regulation, the creation of central clearing, and by ensuring open and transparent access to ensure greater competition, lower transaction costs and greater liquidity. The SDMA is comprised of many US and internationally based broker-dealers, investment banks, futures commission merchants and asset managers participating in all segments of the exchange-traded and over-the-counter derivatives and securities markets.

Implementing the mandatory clearing requirement for these liquid and standardized segments of the swaps markets is a significant milestone towards achieving the Dodd-Frank Act’s objectives of reducing interconnectedness, mitigating systemic risk, increasing transparency, and promoting competition in the swaps market – all essential steps towards restoring the safety and soundness of our financial markets.

The specific fixed-to-floating swaps, basis swaps, FRAs, and OIS as well as CDX and iTraxx CDS indices listed in proposed §50.4 easily satisfy the five statutory factors that the Commission is required to

¹ 77 Fed Reg. 47170-47222 (August 7, 2012)

consider for clearing requirement determinations, as the Commission's analysis demonstrates.² These swaps are all cleared today in material volumes and we thus agree with the Commission that "there is already a blueprint for clearing and appropriate risk management."³ We recommend that the Commission maintain the full proposed product scope in its final Determination.

We urge the Commission to conclude its review and issue its final Determination as expeditiously as possible within the 90 day review period so the market can finally benefit from the implementation of mandatory central clearing.

Sincerely,

/s/ James Cawley

James Cawley

Board Member

The Swaps & Derivatives Market Association

² In summary, the five factors are the (i) outstanding notional exposures, trading liquidity, and adequate pricing data; (ii) availability of rule framework, capacity, operational expertise and resources, and credit support infrastructure; (iii) effect on the mitigation of systemic risk; (iv) effect on competition; and (v) legal certainty in the event of insolvency.

³ See *Id.* at 47172