Please note that the comments expressed herein are solely my personal views

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- 17 CFR Parts 1, 23 and 140
- RIN Number 3038-AD54
- Capital Requirements of Swap Dealers and Major Swap Participants

Dear Mr. Kirkpatrick.

Thank you for giving us the opportunity to comment on your notice of proposed rulemaking on Capital Requirements of Swap Dealers and Major Swap Participants.

The Commission (CFTC) is proposing to adopt new regulations and to amend existing regulations to implement sections 4s(e) and (f) of the Commodity Exchange Act (CEA), as added by section 731 of the Wall Street Reform and Consumer Protection Act (Dodd-Frank Act). Section 4s(e) requires the CFTC to adopt capital requirements for swap dealers (SDs) and major swap participants (MSPs) that are not subject to capital rules of a prudential regulator. Section 4s(f) requires the CFTC to adopt financial reporting and recordkeeping requirements for SDs and MSPs. The CFTC also is proposing to amend existing capital rules for futures commission merchants (FCMs), providing specific capital deductions for market risk and credit risk for swaps and security-based swaps entered into by an FCM. The CFTC is further proposing several technical amendments to the regulations.

I strongly support these proposed rules. The Dodd-Frank Act requires that prudential regulators, the Commission, and the Securities and Exchange Commission shall, “to the maximum extent practicable, establish and maintain comparable minimum capital requirements” for SDs and MSPs, and for security-based SDs and major security-based swap participants.[1] The proposed rules certainly go a long way to realizing this, improving comparability and regulatory efficiency.

[1] See Dodd-Frank Act § 731 and § 764.

Internal models

In answer to specific question 1, the proposed models do appropriately account for the market and credit risk of swaps and security-based swaps.

In answer to specific question 4, the CFTC should provide for temporary approval of capital models already approved by a prudential or foreign regulator[2] in order to further improve comparability and regulatory efficiency.

In answer to specific question 6, I would strongly recommend that a more limited review should be performed of models that have been approved by another regulator. Here I would recommend that the CFTC should focus the review on methodologies and key assumptions and parameters underlying the internal models.

Yours sincerely

C.R.B.

Chris Barnard

[2] The Securities Exchange Commission should be included as a regulator here where appropriate.