The Association for Financial Markets in Europe (AFME) welcomes this consultation and the opportunity to respond. AFME's Foreign Exchange (FX) Division comprises 21 global FX market participants, collectively representing more than 85% of the FX market.¹

The FX market is the world's largest financial market. Effective and efficient exchange of currencies underpins the world's entire financial system. As many of the current proposals may have a significant impact upon the operation of the global FX market it is vital that the potential consequences of regulatory action are fully understood and that new regulation improves efficiency and reduces risk, not vice versa.

We are aware of the joint response to this paper being submitted by AFME, ISDA and ASSOSIM and are supportive of the views set out in their paper. We have sought here to focus on responses to the points within the consultation paper that are of particular relevance to the FX market.

Transaction reporting on OTC derivatives and extension of the scope of transaction reporting obligations

Q1: Do you agree with the solution proposed by CESR for the organisation of transaction and position reporting on OTC derivatives?

We have a preference for option 2 as the existing transaction reporting requirements are well-established and effective. Practical issues restrict the ability of trade repositories to be effective in the transaction reporting process currently although over time this may be addressed as the frequency of reporting cycles increases.

Q2: Do you have any other views on the possible ways to organise transaction and position reporting on OTC derivatives?

As discussed in our response to the consultation paper on standardisation and exchange trading of OTC derivatives, we support the use of global trade repositories as the most effective mechanism for providing regulators with a consolidated view of transaction and position reporting. The use of a single global trade repository per asset class is optimal and would avoid the risk of duplication inherent in multiple

regional/country-based repositories. It is important that technical and operational standards are consistently applied so that reporting is undertaken in the same 'language', thereby facilitating aggregation and analysis of data.

Q3: Do you agree with the extension of the scope of transaction reporting obligations to the identified instruments?

We support the extension of the scope of transaction reporting obligations where such information is for the use of regulators. We agree that the scope of instruments is better addressed through ESMA technical standards.