



**Request for No-Action Relief Regarding:
Commodity Exchange Act § 4s
17 C.F.R. § 23.504**

June 5, 2013

Mr. Gary Barnett
Director, Division of Swap Dealer and Intermediary Oversight
U.S. Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st Street, NW
Washington, DC 20581

Re: Request under Rule 140.99 for Time-Limited Relief for Swap Dealers to Comply with Commission Regulation 23.504 in Connection with Deliverable Foreign Exchange Swaps and Foreign Exchange Forwards

Dear Mr. Barnett:

The Global Financial Markets Association's ("GFMA") Global Foreign Exchange Division ("GFXD")¹ and The Financial Services Roundtable² ("The Roundtable," collectively "The Associations") are writing to request time-limited relief providing that the U.S. Commodity Futures Trading Commission's (the "Commission") Division of Swap Dealer and Intermediary Oversight ("DSIO") will not recommend an enforcement action against any swap dealer ("SD") that fails, on or after July 1, 2013, to comply with the swap trading relationship documentation requirements of Commission Regulation 23.504 ("STRD Rule") in connection with deliverable foreign exchange swaps ("FX Swaps") or foreign exchange forwards ("FX Forwards") and, together with FX Swaps, "Exempt FX Products")³ that are not covered by an ISDA Master Agreement or other equivalent type of relationship documentation that strictly meets the requirements of the STRD Rule ("Compliant Documentation"), so long as such SD complies with an alternative compliance schedule set forth below.

Foreign exchange ("FX") is the world's largest financial market and a central component of the global payment system. FX transactions are integral to the global payment system, international trade, cross-border activity and monetary policy. Because effective and efficient exchange of currencies underpins the world's entire financial system, it is essential that the smooth functioning of the FX market not be disrupted. Market participants rely heavily on Exempt FX Products to fund their commercial and other payment obligations. Corporations and investors regularly participate in this market for operational needs: to convert returns

¹ The members of the GFXD comprise 22 global FX market participants, collectively representing more than 90% of the FX market. See Euromoney FX Survey 2012: Global Market Share. GFMA joins together some of the world's largest financial trade associations to develop strategies for global policy issues in the financial markets, and promote coordinated advocacy efforts. GFMA currently has three members: the Association for Financial Markets in Europe ("AFME"), the Asia Securities Industry and Financial Markets Association ("ASIFMA"), and, in North America, the Securities Industry and Financial Markets Association ("SIFMA").

² The Roundtable represents 100 integrated financial services companies providing banking, insurance, and investment products to the American consumer. Member companies participate through the Chief Executive Officer and other senior executives nominated by the CEO. Roundtable member companies provide fuel for America's economic engine and account directly for \$98.4 trillion in managed assets, \$1.1 trillion in revenue, and 2.4 million jobs.

³ For purposes of this letter, "FX Swaps" and "FX Forwards" refer to foreign exchange swaps and foreign exchange forwards, as defined in Sections 1a(25) and 1a(24), respectively, of the Commodity Exchange Act ("CEA").

from international investments into domestic currencies, to make cross-border payments and investments and raise finance outside home markets, and to reduce risk by hedging currency exposures.

While the current FX industry best practice is to document transactions with their counterparties (“Counterparties”)⁴ in Exempt FX Products, it is not universal for the reasons described in this letter. Because of the significant number of institutions that trade Exempt FX Products that are not covered by Compliant Documentation, the lack of awareness that the STRD Rule applied to Exempt FX Products, and the lengthy negotiations necessary to enter into new documentation (because such documentation does not exist, or to amend existing documentation to bring Exempt FX Products within scope), many institutions will be unable to satisfy the STRD Rule by July 1, 2013.⁵ Accordingly, we are requesting that the Commission provide time-limited relief that establishes deadlines based on a counterparty categorization approach that is similar to the approach used in the clearing requirement compliance schedule adopted in Commission Regulation 50.25. This will more rapidly achieve compliance for a large volume of Exempt FX Products while providing SDs and their Counterparties with the necessary time to establish Compliant Documentation for Exempt FX Products that require more time. Specifically, we propose that, for Counterparties who engage in Exempt FX Products that are not covered by Compliant Documentation:

- All transactions in Exempt FX Products between a Category 1 Entity and another Category 1 Entity must be in compliance with the STRD Rule by September 9, 2013;⁶
- All transactions in Exempt FX Products between a Category 1 Entity and a Category 2 Entity must be in compliance with the STRD Rule by February 28, 2014; and
- All other transactions in Exempt FX Products between a Category 1 Entity and any person must be in compliance with the STRD Rule by June 30, 2014.⁷

For these purposes, we recommend that the Commission define the terms “Category 1 Entity,” “Category 2 Entity,” “Active Fund” and “Third-party Subaccount” as they are defined in Commission Regulation 50.25, except that: (A) Active Funds should be included as Category 2 Entities,⁸ and (B) a Third-party Subaccount should be defined as “any account that is managed by an investment manager.”

If the requested relief is not granted, these institutions, including many corporates and asset managers acting on behalf of their managed funds and accounts, will not be able to trade Exempt FX Products, which will severely disrupt their basic treasury / cash management functions.

⁴ The term “Counterparties” includes financial institutions, non-bank financial institutions, corporates, funds and managed accounts. In the context of a SD’s relationship with fund managers and underlying funds and accounts, “Counterparties” refers to the underlying funds and accounts because they are each separate legal entities and must be documented individually under the STRD Rule.

⁵ The issue surrounding Exempt FX Products has also been raised by the asset management community (and generally for the same reasons), specifically the SIFMA Asset Management Group (“SIFMA AMG”) and Investment Company Institute (“ICI”) in its request to the CFTC for relief from compliance until at least July 1, 2014.

⁶ We strongly support the request to the CFTC for relief from compliance with the STRD Rule put forth by the International Swaps and Derivatives Association, Inc. (“ISDA”) for all swaps until September 9, 2013.

⁷ We note that the Commission initially set forth a similar compliance schedule for the STRD Rule. *See* Confirmation, Portfolio Reconciliation, Portfolio Compression, and Swap Trading Relationship Documentation Rules for Swap Dealers and Major Swap Participants, 77 Fed. Reg. 55904, 55940 (Sep. 11, 2012).

⁸ We recommend that the Commission include Active Funds as Category 2 Entities for these purposes so that SDs are able to treat all funds – other than Third-party Subaccounts – the same for purposes of this documentation initiative. As described below, there are currently a large number of funds that trade Exempt FX Products that are not covered by master documentation (or whose existing documentation must be amended not only to satisfy the STRD Rule but also to bring Exempt Products in scope) and SDs need time to bring these relationships into compliance with the STRD Rule.

Background

Pursuant to Section 1a(47)(E) of the CEA,⁹ the Secretary of the U.S. Department of the Treasury is vested with the authority to determine whether Exempt FX Products should be regulated as swaps under the CEA, *provided* that the Secretary makes a written determination satisfying certain criteria specified in CEA Section 1b. On November 16, 2012, the Secretary issued a written determination (the “Treasury Determination”) that Exempt FX Products should not be regulated as swaps under the CEA.¹⁰

Notwithstanding the Treasury Determination, CEA Section 1a(47)(E)(iv) states that “any party to a foreign exchange swap or forward that is a swap dealer or major swap participant shall conform to the business conduct standards contained in section 4s(h).” Although Commission Regulation 23.504 was required to be adopted pursuant to Section 4s(i) of the CEA, the Commission also stated that the STRD Rule was promulgated pursuant to Section 4s(h).¹¹ As a result, the Commission has determined that Exempt FX Products must be documented according to the STRD Rule as of July 1, 2013.

Current Documentation Practices in FX Market

Documentation of FX transactions is an important aspect of enhancing risk management that is well recognized and has been promoted by FX market participants and global regulators for well over a decade. This is evidenced in the work of (i) the Foreign Exchange Committee (“FXC”)¹² in published guidelines comprising “best practices”,¹³ and (ii) the Basel Committee on Banking Supervision (“BCBS”) in published supervisory guidance.¹⁴ The FXC and FMLG also recently issued a joint recommendation to market participants that engage in Exempt FX Products containing three methods for complying with the STRD Rule.¹⁵

As recognized in the Treasury Determination (and by other regulators globally), there are unique factors limiting risks in Exempt FX Products. For example, these transactions have fixed terms (i.e. non-contingent outcomes), involve physical exchange of currencies, have a well-functioning settlement process, and are overwhelmingly short duration contracts (see Appendix 1 for details). When taken together, this results in a lower risk profile than general OTC derivative contracts. In addition, for many FX market participants, exchanging currencies represents a basic treasury management or cash management activity that falls within the normal credit parameters of their relationships with their banks and custodians and, accordingly, these

⁹ 7 U.S.C. 1a(47)(E).

¹⁰ Determination of Foreign Exchange Swaps and Foreign Exchange Forwards Under the Commodity Exchange Act, 77 Fed. Reg. 69694 (Nov. 20, 2012).

¹¹ See Confirmation, Portfolio Reconciliation, Portfolio Compression, and Swap Trading Relationship Documentation Rules for Swap Dealers and Major Swap Participants, 77 Fed. Reg. at 55904.

¹² The FXC is an industry group that has been providing guidance and leadership to the global foreign exchange market since its founding in 1978. The FXC includes representatives of major financial institutions engaged in foreign currency trading in the United States and is sponsored by the Federal Reserve Bank of New York. Aware of the strong integration of the global foreign exchange market, the FXC is also an active partner to other foreign exchange committees and industry associations worldwide. <http://www.newyorkfed.org/FXC/>

¹³ FXC, Guidelines for Foreign Exchange Settlement Netting, January 1997; Guidelines for Foreign Exchange Trading Activities (September 2001, Revised October 2002, Revised July 2004, Revised November 2010); Foreign Exchange Transaction Processing: Execution to Settlement, Recommendations for Nondealer Participants (October 1999, Revised 2004); Management of Operational Risk in Foreign Exchange, The Foreign Exchange Committee (November 2004, Revised November 2010).

¹⁴ BCBS, *Supervisory Guidance for Managing Settlement Risk in Foreign Exchange Transactions* (February 2013).

¹⁵ See Swap Trading Relationship Market Practice For Relevant Foreign Exchange Transactions (May 22, 2013), available at <http://www.newyorkfed.org/FXC/2013/STRD%20Market%20Practice.pdf>.

transactions are generally unsecured and therefore not covered by an ISDA Master Agreement or other equivalent type of relationship documentation.

Challenges with Complying with the STRD Rule by July 1, 2013 for Counterparties Trading Exempt FX Products

The FX industry faces the following challenges in satisfying the STRD Rule by July 1, 2013:

1. ***Large number of Counterparties who trade Exempt FX Products that are not covered by Compliant Documentation.*** GFXD recently collected data from its SD members, which revealed that a significant majority of those members have between 500 and 3,500 clients who trade Exempt FX Products that are not covered by an existing ISDA Master Agreement or other equivalent type of relationship documentation. Of these GFXD members, approximately one-third have between 2,000 and 3,500 clients without this documentation, approximately one-third have between 500 and 2,000 clients without this documentation, and one-third have fewer than 500 clients without this documentation.¹⁶ Many of these clients only trade Exempt FX Products (i.e., they do not trade other swaps subject to the STRD Rule) and therefore may not be familiar with traditional swap documentation. These figures, however, significantly understate the documentation challenge for the following reasons:

- *Many asset managers have numerous individual underlying funds and accounts, and often need approval at the fund or account level to enter into or amend documentation.* These figures treat asset managers as individual clients, without regard to the number of underlying funds and accounts, which are the legal Counterparties, managed by those asset managers. In order to comply with the STRD Rule, however, SDs must enter into new documentation with the underlying Counterparties rather than the asset managers, so the actual number of Counterparties would be substantially larger if the underlying Counterparties (legal entities) were taken into consideration. For one dealer, the figure would increase by a factor of two and, for another dealer, by a factor of 8.

Asset managers may not have the authority to enter into documentation on behalf of some of, or any of, their underlying Counterparties. While asset managers also face this obstacle for their underlying Counterparties that enter into swaps, the sheer volume of underlying Counterparties that trade Exempt FX Products that are not covered by Compliant Documentation presents significant obstacles for asset managers that must obtain approval from their underlying Counterparties in order to enter into new documentation.

- *The definition of a “US person” may be expanded by July 12th.* These figures were compiled by GFXD members based on the Commission’s cross-border exemptive order, which is scheduled to expire on July 12, 2013.¹⁷ The number of Counterparties who have not entered into master documentation may be larger if this definition is amended or changed.
- *These figures do not consider similar clients that must amend their existing documentation which do not satisfy the STRD Rule or to bring Exempt FX Products more fully into the scope of the documentation.* These figures focus on clients trading Exempt FX Products without having master documentation in place. They do not reflect the large number of clients trading Exempt FX Products who have master documentation, but where such documentation must be amended because it does not satisfy the requirements of the STRD Rule and, in some cases, has specifically carved out Exempt FX Products from certain aspects of the documentation. Although a significant industry initiative

¹⁶ Nearly 70 percent of GFXD firms were involved in this data collection exercise.

¹⁷ Final Exemptive Order Regarding Compliance with Certain Swap Regulations, 78 Fed. Reg. 858 (January 7, 2013).

to amend documentation is underway,¹⁸ it is unclear to what extent buy-side participants will choose to participate in this initiative, especially as it relates to accepting a first and new form of master documentation. Moreover, unlike the Commission's external business conduct standards, SDs might not be able to make the same types of "self-determinations" regarding compliance as they may have with respect to the STRD Rule."¹⁹

2. ***Lack of market awareness that STRD Rule applies to Exempt FX Products.*** SDs have been heavily focused on achieving compliance with the STRD Rule by July 1st for Counterparties that do not have master documentation or that have master documentation that is not compliant. SDs have reached out to Counterparties subject to these requirements, participated in developing an industry-wide protocol, negotiated amendments to existing documentation and/or signed new documentation on a bilateral basis. However, these efforts were, until recently, focused on Counterparties trading "swaps" and not on Counterparties who trade Exempt FX Products. While all our members were aware that Regulation 23.504 was adopted under Section 4s(i), most did not realize or appreciate until very late 2012 / early 2013 that it was *also* adopted under Section 4s(h) of the CEA and, as a result, subjects Exempt FX Products to the STRD Rule.²⁰ Clients trading Exempt FX Products were similarly unaware that the STRD Rule applied to them and their underlying managed funds and accounts.
3. ***Swap documentation, although based on standardized forms, involves lengthy negotiations.*** A typical ISDA agreement²¹ has three main components: the master agreement, which is signed in its published form; a schedule to that master agreement, through which the parties make various elections permitted by the form and negotiate specific provisions that reflect variations from the form; and a confirmation, which specifies the economic terms and dates for a specific transaction. In addition, an ISDA agreement may include a credit support annex, also based on an ISDA form but often heavily negotiated, which provides collateral arrangements for the transactions subject to the ISDA. Notwithstanding the use of standardized forms as the foundation of ISDA master agreements and other industry forms,²² negotiation of these documents is frequently a drawn-out process taking months or even years. There are a number of reasons for this:

¹⁸ ISDA has launched two documentation protocols: the ISDA August 2012 DF Protocol (which addresses in part certain external business conduct standards requirements) and the ISDA March 2013 DF Protocol (which addresses in part STRD compliance) to allow market participants to amend documentation across a wide range of agreements and counterparties without the need for time consuming and protracted individual negotiation. Although a large number of market participants elected to participate in the ISDA August 2012 DF Protocol, the ISDA March 2013 DF Protocol is more complex and has only recently become available. The ISDA March 2013 DF Protocol requires market participants to make certain business judgments, such as with respect to the process for portfolio reconciliation, which were largely unnecessary under the ISDA August 2012 DF Protocol. The ISDA March 2013 DF Protocol also requires a deeper understanding of the interplay of its provisions with existing documentation. It is not yet known whether these differences will lead to a more limited acceptance of this newer protocol.

¹⁹ Many SDs were able to determine that they were in compliance with the Commission's external business conduct standards by determining that their existing agreements, policies and procedures complied with those requirements. SDs cannot do so for the STRD Rule, however, because the rule generally requires amendment to an existing documentation or the execution of new documentation, and because Counterparties must make substantive decisions, such as how to exchange portfolio reconciliation information.

²⁰ The Treasury Determination, which was issued in November 2012, included a reference to the business conduct rules adopted by the Commission under Section 4s(h) of the CEA.

²¹ ISDA published an Interest Rate and Currency Exchange Agreement in 1987, in an effort to standardize the documentation used in the burgeoning swap markets. In 1992, ISDA published its first master agreement intended to be used beyond interest rate and currency exchange transactions.

²² E.g., the International Foreign Exchange and Currency Option Master Agreement ("IFEMA").

- The ISDA and other industry forms are highly detailed and precise across a large number of individual points.²³
- Master agreements are generally negotiated infrequently by in-house corporate counsel, even if the corporations make frequent use of swaps.²⁴
- Swap documentation may affect, or be affected by, other documentation, such as credit agreements, security documents and agreements regarding other derivative transactions.
- As noted above, asset managers often have large numbers of underlying funds or accounts for which they must negotiate such documentation, but may have varying levels of authority to do so. They may also have to address unusual tax issues, complicated feeder fund structures or other structural issues that affect the documentation.
- In the past several years, efforts to focus on putting in place master documentation for all Counterparties have been complicated by the need to devote resources to remaking existing documentation to accommodate new rules promulgated by the Commission, and increasingly by other regulators. Because of these rule changes, a large volume of master agreements that have not been “touched” in many years now need some degree of changes (which may also bring up changes not related to or driven by regulations). Many of the personnel most experienced in these matters are also dealing with other aspects of compliance with Title VII of the Dodd-Frank Act, such as establishing clearing arrangements and swap data repository relationships.

For the reasons stated above, the completion of master documentation for Counterparties trading Exempt FX Products has not moved forward at a pace that will allow SDs and their Counterparties to meet the July 1, 2013 compliance deadline for the STRD Rule.

Impact of CFTC Not Granting Relief for Additional Time to Comply with STRD Rule for Counterparties Trading Exempt FX Products

GFXD, the Roundtable, and its members are working to implement the STRD Rule, but more time is needed to ensure the basic treasury / cash management functions of their Counterparties – including corporates, asset managers, and underlying managed accounts and funds – are not severely disrupted.

The request for an extension of the compliance deadline for the STRD Rule is limited to transactions with Counterparties that trade Exempt FX Products that are not covered by Compliant Documentation. Although the STRD Rule applies directly to SDs, the effect of this rule will be to prevent SDs from

²³ For example, in ISDA documents a single counterparty may be referred to at various points as Party A (or B), X, Y, the Affected Party (both parties can be Affected Parties in respect of the same event), the non-Affected Party, the Burdened Party, the Defaulting Party or the non-Defaulting Party. The terminology can also be inconsistent with the terminology used in other contexts, using, for example, the phrase “Independent Amount” where others might use “initial margin.” The tax provisions generally require specialist review. Parties must determine when affiliate defaults will cross-default an agreement and which affiliates, if any, will provide credit support to the counterparty. Credit evaluations are unique to the parties and negotiations with respect to trigger events tied to such evaluations may be complicated. For multi-national organizations, there may also be cross-border legal issues.

²⁴ For example, a corporate counterparty that enters into swaps every two to three months may have last entered into a master agreement ten years earlier. As a result, in-house counsel often have little or no experience negotiating these forms, which can be daunting for those who do not know them well, due to the specialized nature of the master agreements and the need to understand various ancillary documents containing definitions and other related terms. At the same time, swap documents are generally treated as ordinary course agreements that internal legal staff should be capable of negotiating, and corporations are often unwilling to pay to involve experienced outside counsel.

transacting with Counterparties for which the necessary documentation is not in place. FX Swaps are perhaps the most efficient short-term funding vehicle worldwide and are by far the most actively traded FX instrument. They are vital to many corporates that transact in very short-dated FX Forwards to fund their basic needs that require settlement to occur in slightly more than two business days (for which they can use FX spot transactions). For example, many corporates use FX swaps to hedge certain assets and payroll obligations.²⁵ As a result, if the requested relief is not granted, the consequences will fall most heavily on a substantial number of buy-side participants who will not be able to transact in Exempt FX Products.²⁶ Additionally, if the requested relief is not granted, institutions will be unable to use these products to raise liquidity across money markets for different currencies.²⁷

As noted in the Treasury Determination, Exempt FX Products differ in significant ways from other swaps. Their structural characteristics, including certainty of payment amounts and shorter maturities, have been found by Congress, the Commission and the Treasury to merit different regulatory treatment in some circumstances.²⁸ Further, they “carry significantly lower levels of counterparty credit risk relative to other swaps and derivatives.”²⁹ While the Commission has determined that Exempt FX Products should be subject to the STRD Rule, we believe these acknowledged regulatory distinctions provide support for a decision by DSIO to afford SDs additional time to comply with Commission Regulation 23.504 in this context.

For the reasons stated above, we respectfully request that DSIO provide temporary no-action relief, as soon as possible, to SDs from the requirements of Commission Regulation 23.504, subject to the following conditions:

1. The transaction is an Exempt FX Product that is not covered by Compliant Documentation; and
2. The SD satisfies the following compliance schedule:
 - All transactions in Exempt FX Products between a Category 1 Entity and another Category 1 Entity must be in compliance with the STRD Rule by September 9, 2013;
 - All transactions in Exempt FX Products between a Category 1 Entity and a Category 2 Entity must be in compliance with the STRD Rule by February 28, 2014; and
 - All other transactions in Exempt FX Products must be in compliance with the STRD Rule by June 30, 2014.³⁰

²⁵ See Treasury Determination, 77 Fed. Reg. at 69697 (explaining that Exempt FX Products are “qualitatively different from other classes of derivatives” in part because “foreign exchange swaps and forwards are predominantly used as a source of funding to hedge risk associated with short-term fluctuations in foreign currency values and to manage global cash-flow needs.”).

²⁶ While these participants could transact Exempt FX Products with entities not required to register as SDs, SDs are a significant source of liquidity for these products.

²⁷ Bank for International Settlements (“BIS”), Monetary and Economic Department, *Triennial Central Bank Survey: Report on Global Foreign Exchange Market Activity in 2010*, at 6 (Dec. 2010) (“BIS 2010 Survey”). See also BIS, *From Turmoil to Crisis: Dislocations in the FX Swap Market Before and After the Failure of Lehman Brothers* (2009) (during the financial turmoil following the failure of Lehman Brothers, global financial institutions turned to the FX Swap market as a primary channel for raising dollar funding).

²⁸ See, e.g., 7 U.S.C. 1a(47)(E) (delimiting treatment of FX Swaps and FX Forwards under the CEA); Treasury Determination, 77 Fed. Reg. 69694; see also Commission No-Action Letter 12-42 (providing no-action relief regarding the obligation to provide pre-trade mid-market mark for certain foreign exchange transactions).

²⁹ See Treasury Determination, 77 Fed. Reg. 69694.

³⁰ The Commission has acknowledged in other contexts that time-limited no-action relief is warranted where market participants are reasonably progressing toward compliance with the Commission’s regulations, but need additional time to come into compliance. See, e.g., CFTC No-Action Letter No. 12-46 (granting time-limited no-action relief from

For these purposes, we request that the Commission define the terms “Category 1 Entity,” “Category 2 Entity,” “Active Fund” and “Third-party Subaccount” as they are defined in Commission Regulation 50.25, except that: (A) Active Funds should be included as Category 2 Entities,³¹ and (B) a Third-party Subaccount should be defined as “any account that is managed by an investment manager.”

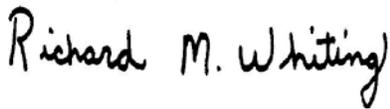
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We thank you for your consideration of these issues and appreciate your prompt response. We would be happy to discuss these issues or the conditions described above further if it would be helpful. If you have questions, please contact Mandy Lam, at mlam@gfma.org or 212-313-1229 or Rich Foster at Richard.Foster@fsround.org or 202-589-2429.

Yours sincerely,



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Commissioner Mark P. Wetjen
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certain reporting requirements where the reporting counterparty made “reasonable and demonstrable efforts” toward compliance); CFTC No-Action Letter No. 12-15 (providing time limited no-action relief from certain registration requirements where the person makes a “good faith effort” to comply with the CEA and Commission Regulations).

³¹ We recommend that the Commission include Active Funds as Category 2 Entities for these purposes so that SDs are able to treat all funds – other than Third-party Subaccounts – the same for purposes of this documentation initiative. As described, there are currently a large number of funds that trade Exempt FX Products that are not covered by master documentation (or whose existing documentation must be amended not only to satisfy the STRD Rule but also to bring Exempt Products in scope), and SDs need time to bring these relationships into compliance with the STRD Rule.

Certification Pursuant to Commission Regulation 140.99(c)(3)

As required by Commission Regulation 140.99(c)(3), I hereby (i) certify that the material facts set forth in the attached letter dated June 5, 2013 are true and complete to the best of my knowledge; and (ii) undertake to advise the Commission, prior to the issuance of a response thereto, if any material representation contained therein ceases to be true and complete.

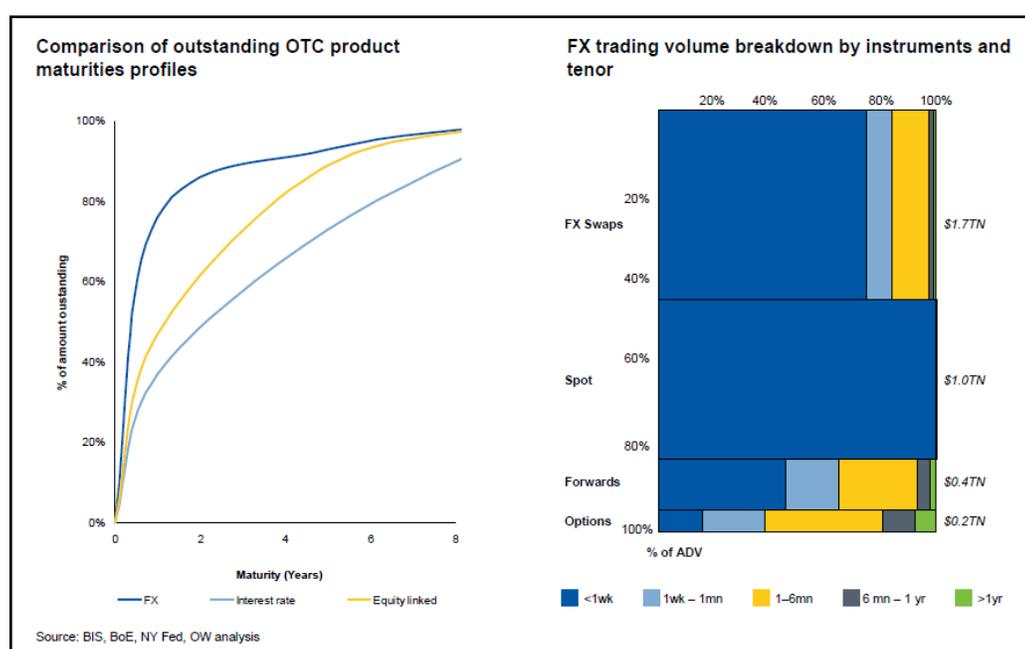


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APPENDIX 1

The chart below contrasts the short maturity profile of outstanding FX instruments with those of interest rate and equity derivatives. The 16% of outstanding FX contracts with maturities longer than 2 years contrasts with 55% of interest rate derivatives and 40% of equity derivatives with maturities longer than two years.³² Of daily traded volume in 2010, 99% of FX Swaps and 98% of FX Forwards were of maturities of less than a year. The global FX Swaps and FX Forwards daily traded market total of 81.3% under 1 month maturity and 97.5% under 6 months, with 1.5% maturity between 6 months and 1 year and only 1% over 1 year, specifically:

- Up to 7 days maturity = 68.0% of daily traded volumes;
- 7 days – 1 month = 13.3%; and
- 1 month – 6 month = 16.2%



³² Oliver Wyman analysis based on BIS data.