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12 September 2011

**Re: Canadian Securities Administrators
Consultation Paper 91-402
Derivatives: Trade Repositories**

The Global Foreign Exchange Division (GFXD) welcomes the opportunity to comment on the Committee's consultation paper regarding trade repositories. On behalf of its members, the GFXD would like to take the opportunity to set out a number of issues around the implementation of a trade repository for foreign exchange transactions and to respond on the specific questions raised in the document. The GFXD would also welcome the opportunity to discuss these in more detail with you with the aim of aligning and coordinating development work as closely as possible to the benefit of both regulators and industry.

The GFXD was formed in co-operation with the Association for Financial Markets in Europe (AFME), the Securities Industry and Financial Markets Association (SIFMA) and the Asia Securities Industry and Financial Markets Association (ASIFMA). Its members comprise 22 global FX market participants¹, collectively representing more than 90% of the FX market². Both the GFXD and its members are committed to ensuring a robust, open and fair market place.

¹ Bank of America Merrill Lynch, Bank of New York Mellon, Bank of Tokyo Mitsubishi, Barclays Capital, BNP Paribas, Citi, Credit Agricole, Credit Suisse, Deutsche Bank, Goldman Sachs, HSBC, JP Morgan, Lloyds, Morgan Stanley, Nomura, RBC, RBS, Société Générale, Standard Chartered Bank, State St., UBS, and Westpac

² According to Euromoney league tables

1. Overview and current FX industry initiatives

The GFXD welcomes the goals of enhancing regulatory oversight and promoting greater transparency. It is working with its members to implement a trade repository for the FX industry that aims, to the greatest extent possible, to meet global regulatory needs.

Its members recently announced their recommendation to partner with DTCC and SWIFT to develop a global foreign exchange trade repository. This selection was the result of an extended evaluation, Request for Information (RFI) and public Request for Proposal (RFP) process that began back in December 2010, with the RFP issued in April 2011.

The project is currently in the scoping phase and key work areas will cover overall functionality, technology, connectivity, messaging and data formats amongst other areas. However, this must crucially be framed in the context of understanding how the needs of multiple regulators can be met. The GFXD would welcome the opportunity to discuss this in more detail with you.

A common, global approach to trade repositories

The selection of a preferred partner for trade repository services arises from the general preference of the industry for the use of global trade repositories, rather than multiple, fragmented local repositories. This is because they provide the chief benefits of enhanced regulatory oversight and efficiency of data capture. This is particularly the case for the FX market which is characterised by vastly higher number of transactions and participants when compared to other asset classes given its position as the basis of the global payments system.

Comprehensive oversight

Trade repository information must be consistent, complete and as non-duplicative as possible in order for it to be meaningful, both for market surveillance and systemic risk monitoring. Global trade repositories provide a centralised point for submission of data, giving regulators access to both on and offshore trades and allowing them to build a complete picture regarding the positions of overseen entities. Since local regulators may typically only exert jurisdiction over local firms, currencies traded offshore by offshore entities would not be subject to that local regulation. They would therefore not be reported to the local repository, limiting the usefulness of that subset of data. Building an accurate picture of systemic risk or trade activity becomes significantly more difficult where the trade population is fragmented across a number of localised trade repositories, particularly considering the volume of participants and transactions present in the FX market, and in the absence of standardised global formats. The value of a comprehensive data set can also extend to implementation of other regulatory initiatives, for example, in analysing whether to mandate clearing for particular products and in establishing block trade sizes and appropriate reporting delays.

Efficiency

There are a number of efficiency arguments for global trade repositories from all market participants' perspectives.

- Cost – global trade repositories reduce the implementation costs related to building out and connecting to relevant trade repositories for both regulators and market

participants alike. For reporting parties, global trade repositories allow a centralised reporting channel with common technology, messages and trade formats. Given the number of market participants engaging in cross-border transactions, local repository reporting may add significant costs for both buy and sell side participants as they are required to report to a number of repositories. Hardest hit might be the smaller, regional banks that would likely be expected to undertake the burden of international reporting on behalf of their clients. Centralised client due diligence would also produce significant savings.

- Data consistency and common standards – agreed global data formats and standards for LEIs and product and trade identifiers would also promote significant benefits for all users. The industry is making progress in this regard and we fully support the comments made in the Coalition of Financial Services Firms and Trade Associations letter regarding LEI development and submitted in response to your consultation. Where local repositories prevail, regulators will need to be able to interpret and aggregate data across a number of differently formatted outputs, which can be inefficient at best. Timely access to and interpretation of a comprehensive data set will be important in times of market crisis and this will be hindered if regulators are required to seek trade and position data from a number of repositories.
- Implementation – global trade repositories may also help to minimise the risks of conflicting implementation deadlines and reduce time to market.

Accommodating different jurisdictional requirements

Of course, any global trade repository must meet the needs of the multiple regulators that it serves. In order to do that, the GFXD and its members support the efforts being made across international forums to standardise both data formats and reporting requirements. The current implementation status of global regulation does mean that final requirements have not yet been set and so any moves to implement trade repositories should be done so with flexibility in mind. It is important to stress that the development of the FX trade repository is being done so with global regulatory reporting in mind and not simply with a focus on the US's Dodd-Frank rules. This extends to reviewing the options for the legal entity structure to address any indemnity requirements, building data centres in location-neutral venues and submitting the FX trade repository for regulation in multiple jurisdictions.

Whilst the industry would prefer global data repositories to be implemented for the reasons set out above, the GFXD understands that certain jurisdictions prefer to mandate the use of a local trade repository. A number of operating models are being considered and it may be possible to implement a local trade repository within a global framework without necessarily ceding physical control to an offshore location. Such a local instance might even be operated by the regulator under licence from a global provider. In instances where a separate local repository is conceived and built, for the reasons outlined above, it would be preferable for the local repository to utilise agreed global formats and parameters to facilitate reporting, and better still to allow trade data to be fed from a global trade repository to a local repository and possibly vice versa.

2. General comments on the Committee consultation paper

2.1. Reporting obligations

2.1.1. Pre-existing transaction reporting exemption

We agree with the proposal that pre-existing transactions that expire within one year of the effective date should not be reported. This is particularly relevant given the short-term nature of the majority of FX transactions and will help to mitigate some of the substantial workload around backloading.

2.1.2. Third party reporting

The Consultation Paper discusses allowing third party reporting. We believe there are various scenarios that would make this beneficial. Non financial intermediaries executing a low-volume of trades, for instance, may not have, or desire to build, the necessary infrastructure to fulfil the reporting requirements. Such participants may find the build-out costs to be prohibitive, or will prefer to avoid them. This will be particularly prevalent given the number of market participants in FX.

We therefore agree that third party facilitation of trade reporting should be permitted. SEFs and exchanges, as well as CCPs and existing confirmation platforms could all be potential providers of information to a trade repository. Perhaps more importantly, we believe that if a Canadian TR were to be mandated, participants should be expressly allowed to delegate reporting to a third party global trade repository. Ideally, any Canadian trade repository would allow a two-way feed with a global trade repository in order to ensure that any locally fed trades could be combined with a global data set, which the Canadian regulators would have access to.

2.2. Mandating a Canadian Trade Repository

For the reasons set out above, members of the GFXD have a preference for streamlining reporting through a global trade repository. This may also mitigate the need for a data aggregator to be developed. We would welcome the opportunity to discuss how the development of the DTCC and SWIFT FX Trade Repository might accommodate the needs of the Committee. As mentioned, there are a number of operating models that could be considered that might allay some of the concerns expressed in the consultation document and allow the Committee to operate (or have operated privately) a local incidence of the global trade repository.

Concerns expressed regarding not having a Canadian trade repository

- *It is possible that no suitable trade repository will be developed for certain derivative transactions entered into by Canadian counterparties.*

All FX transactions, from simple forwards and swaps through to vanilla and complex option trades will be required to be reported under numerous pieces of legislation, including both proposed US and European rules. The technical requirements for

reporting these trades to a repository will therefore need to be addressed in a global trade repository. We are not aware of any types of FX transactions conducted by Canadian counterparties that would not be capable of being reported, although we note that there are issues remaining to be resolved pertaining to confidentiality requirements for counterparties located in foreign jurisdictions, particularly around counterparty identification. This is discussed below.

- *Canadian regulators and the central bank may not be granted satisfactory access to a foreign trade repository that holds transaction data regarding Canadian entities.*
- *Confidentiality and legal barriers may exist in certain jurisdictions thereby restricting the ability of a foreign repository to provide Canadian regulators and the central bank with data.*
- *Requests for indemnification from foreign trade repositories may prevent relevant information from being shared with Canadian regulators and the central bank.*
- *Canadian regulators and the central bank may not be able to effectively participate in cooperative oversight over a foreign regulated trade repository.*
- *Canadian regulators and the central bank will unlikely be able to influence the operations of a foreign trade repository.*
- *Canadian enforcement authorities may encounter reduced informational access and cooperation if a trade repository is located in a foreign jurisdiction.*
- *Standards for international cooperative oversight arrangements regarding trade repositories are not yet well defined.*
- *Legal uncertainty with respect to trade repository data in the event of a trade repository insolvency due to the complexity of national and international resolution and insolvency law and potential conflicts of law issues.*

The global trade repository for FX is being expressly designed to allow regulators across a number of different jurisdictions suitable access. Part of the development work on the trade repository will be ensuring that the regulatory portal provides suitable methods of access including regular and ad hoc reporting.

We acknowledge that there remain issues to be addressed in ensuring that the jurisdictional differences in approach to disclosing counterparty data require to be addressed, but note that even with a local trade repository, reporting participants may still face legal conflicts regarding disclosure of counterparty data where those counterparties are located in jurisdictions which do not permit such disclosure e.g. Switzerland. As noted, this is being recognised and addressed at a global level. As the Committee has noted in its consultation paper, data reporting to repositories and the disclosure of information to regulators is a central tenet of the new OTC derivatives regime. We believe that solutions to overcoming potential barriers to cross-border data sharing and disclosure will require co-operation among regulators and repositories facilitated through carefully considered legislative amendments, new regulations and co-operation agreements.

We also understand that there are concerns regarding the indemnity provision set out in Dodd-Frank and that these are likely to be shared by all non-US regulators. There are a

number of avenues being investigated which may allow for information sharing without requiring the imposition of such an indemnity, including setting up a trade repository with an appropriate legal structure and data centres that are location neutral.

Regarding participation in oversight, the trade repository could submit itself for regulation in a number of jurisdictions to provide a level of comfort on local regulatory oversight and influence in operations. Alternatively, regulators could agree cooperative oversight arrangements e.g. as for CLS currently.

There is also a concern raised about the prospect of insolvency of a trade repository and in respect of the data. The model being proposed for the FX trade repository is that the ownership of the data should remain with the relevant reporting party. Whilst we acknowledge that differences in international insolvency law do complicate the picture, we would also point out that the trade repository will be exposed to much lower financial risk than other market infrastructures (e.g. CCPs) as they will have limited financial obligations outside of their operating costs. The DTCC and SWIFT FX trade repository will be run on a cost recovery basis, thereby mitigating to a large extent the prospect of financial difficulties.

Overall, we believe that all of the concerns expressed by the Committee can be addressed through careful structuring of the trade repository to give Canadian regulators and the central bank appropriate access to and oversight of a global trade repository.

- *Data aggregation challenges may arise if Canadian regulators and the central bank rely on multiple trade repositories with inconsistent reporting standards or technological platforms.*

We believe this is one of the strongest arguments *for* a global trade repository, as discussed above. The GFXD and its members are actively engaged in the various industry initiatives to promote common LEIs, USIs and UPIs and are working to integrate these into the specifications for the global FX trade repository.

2.3. Information required to be reported

2.3.1. Data standards and unique identifiers

We welcome the recognition of the importance of complying with international data standards and utilising internationally accepted identifiers. As discussed, this will be key in ensuring consistent, usable data and to that end both we and our members are active in the relevant industry initiatives.

2.3.2. Confirmation data

The document suggests that the “full signed legal agreement of the counterparties including all the terms of the transaction (i.e. the legal confirmation)” be submitted. In FX, and for the more vanilla products, counterparties exchange electronic messages through SWIFT that constitute a legal confirmation for most

parties. Legal documentation is only exchanged for the less automated products. In the absence of the trade repository holding the golden copy for transactions, we believe regulators should only be concerned that a trade is confirmed by both parties and that the reported details are accurate and would question the added benefit of submitting the full long-form document. We would welcome clarification on this point but believe that confirmation status should be flagged as part of continuation data reporting (currently proposed as snapshot for FX) rather than requiring submission of confirmation details.

The document also suggests that confirmation data should be matched by the trade repository or a related third-party matching service through affirmation by the counterparties. FX is different to other asset classes in that much of the matching is done by banks locally and unlike for e.g. rates (Markitwire) there is no commonly used piece of intermediate infrastructure that will confirm and feed the majority of trades into a trade repository. For this reason too, we suggest adopting flagged / confirmed status reporting as described above.

2.3.3.Valuation data

We note that the Committee is suggesting that valuation data be reported to the trade repository and comments on the need to provide collateral information for transactions. In general, collateral held against counterparties is done so across that counterparty's trades in all asset classes, rather than on a trade by trade basis. Whilst collateral valuation data can be split out by asset class by counterparty, this may be misleading to regulators and create unnecessary noise as margin requirements will be offset against exposure to a counterparty across all asset classes.

2.3.4.Position level data and aggregate data available to regulators

The consultation document states that “[p]rovided that reported data is sufficiently uniform and complete, each individual transaction may be aggregated so that regulators can monitor the state of the OTC derivatives market on the micro and macro level” and goes on to state that trade repositories will be required to aggregate such data both for the Canadian market and in respect of information from foreign trade repositories.

We would suggest that if position data is required by regulators, the rules should leave flexibility for a trade repository to infer position data from trade data, gather it separately or do a mixture as appropriate. This will allow it to provide complete and useful position data before backfilling of historic trade data and allows the provision of useful position data if some trades are not reported to the trade repository. Requiring the trade repository to generate or calculate meaningful positions from the trade population may be unrealistic:

- It requires a sufficiently complete trade population

- Non-linear risks (e.g. FX options) cannot be simply aggregated across repositories
- Position information needs to show net bilateral positions across asset classes (requires consistent counterparty mapping, combined trade population, consistent parameters)

The discussion document notes that drastically improved transparency resulting from detailed universal trade reporting of OTC derivative transactions will provide immense supervisory benefits. We believe the 'universal element' of reporting to be key and that this is best achieved through global trade repositories, which, for example, would enable the regulators to review in one place the types of aggregated data suggested in the document without the complications inherent in requiring this from multiple trade repositories.

As commented on in the preceding paragraphs, there are a number of difficulties associated with providing valuation, netting and collateral data. These are recognised in the recent IOSCO-CPSS report on OTC derivatives data reporting and aggregation requirements, which, recognising the importance of providing accurate and meaningful data for monitoring purposes, recommends that the Financial Stability Board consider further work to explore viable options for addressing this. We would suggest that the outcome of such further work be taken into account and that reporting obligations be phased accordingly.

2.3.5. Spot trades

Our assumption is that spot trades are excluded from the reporting requirements. Accordingly and consistent with common market definitions, practice and understanding, transactions with value dates less than or equal to T+2 business days are therefore excluded.

FX trades also act as supporting trades for security settlements, which may occur on a greater than T+2 basis. Such supporting transactions, up to the standard security settlement maturity in the relevant currency and market, which may be up to T+5, should be excluded from the scope of the rules.

2.3.6. Interaffiliate trades

Given the high volume of transactions in FX compared to any other asset class, we believe that for reporting purposes, the Committee should include only transactions settling with an un-affiliated third party. Many millions of trades occur daily between different affiliates of the same institution which are not relevant to that institution's external market positioning and would increase ticket volumes at any trade repository significantly. We would also point out that FX is used to manage balance sheet and foreign asset exposures for income attribution, which under this rule would be subject to reporting. We do not believe that reporting inter-affiliate trades will achieve the goals of reducing systemic risk and increasing transparency. Inter-affiliate trades represent allocation of risk within a corporate group and do not give rise to the same systemic risk issues that are raised by trades by one corporate group with another. Also,

reports about inter-affiliate FX trades will not give meaningful indications about the overall FX market or the overall exposure of the relevant corporate group.

2.3.7. Aggregation of trades below a certain notional threshold

Given the sheer volume of trades in the FX market, we have previously suggested to regulators the concept of setting a notional threshold (subject to periodic revision) so that the noise of small scale FX transactions is filtered out. This will leave trade repositories to focus on materially significant transactions. In the absence of such a threshold, the global data set is likely to be overwhelming. A notional threshold of USD1m or equivalent would be a reasonable, initial starting point.

In the absence of a carve-out for smaller trades, we would recommend the Committee allow reporting counterparties the option of aggregating smaller trades to reduce the reporting burden. Trades could be aggregated by relevant criteria, for example, by currency-pair, trade-date, value-date, counterparty and / or direction (average buys / average sells; the average buys / average sells is used so to obtain a true FX trade without odd rates or amounts in either of the aggregated currencies). Aggregation might then occur by time of day (e.g. before end of day in each region), up to a pre-defined total notional exposure for each counterparty and / or for trades not greater than a pre-defined size e.g. USD 1m or equivalent (if an input ticket is too large it would be passed through without aggregation). It may also be possible to use number of tickets in the aggregate as a cut-off in order to accommodate the IT capabilities of the receiving systems. Note that the Committee would still have access to the underlying trades via a reporting counterparty's record keeping. Alternatively, a separate data store for micro-trades could be set up within the trade repository that would be used solely to store transactions whilst the aggregate was used for general reporting.

3. Responses to the specific questions set out in the consultation document

Question #1: If a Canadian trade repository is mandated, should it be privately developed and operated for profit, privately developed and operated on a not-for-profit basis or should provincial market regulators perform this function directly?

For the reasons set out above, members of the GFXD have a preference for implementing a global trade repository rather than a local, Canadian repository. As discussed, there are a number of operating models that could be considered should a local incidence of the repository be mandated. These include a local repository utilising the global trade repository software under licence and allowing two-way flows with local reporting to the local repository and onwards to the global trade repository and vice versa.

We have no preference for the ownership structure and type of entity that should develop and run the trade repository for FX other than it should be low cost and that for oversight and efficiency reasons the provider should be a global trade repository. Members of the GFXD have entered into a scoping phase with DTCC and SWIFT for this purpose, which would see industry-owned, not for profit utilities carrying out these functions.

Question #2: What is required to enable Canadian derivatives market participants to be able to report derivatives transaction information in real time and how long will it take to achieve this functionality?

Clearly readiness and time to develop functionality will be dependent upon specific firms' technology infrastructure. However, we would suggest that real time reporting should form part of any overall discussions on the phasing attached to reporting obligations. Whilst it is difficult to comment on the appropriate phase-in period until the rules and associated obligations have been finalised, in general terms, the phase-in period should take into account the time required for the industry to build the relevant infrastructure (where required) and the competing demands of potentially establishing connectivity and reporting to multiple trade repositories.

Trade repositories are a new, critical market infrastructure. Suitable time should be allowed to avoid the risk that the initial structures put in place prove inadequate and further resources and further expense incurred to achieve the desired repository structure. This is particularly pertinent for FX given:

- the scale issues that are involved in building reporting capability for a market with as many transactions and participants as FX
- the absence of any existing trade or swap data repository infrastructure (unlike in rates, equity and, of course, credit).

While the FX industry has developed specialised and bespoke infrastructure to support its differing underlying client bases, these systems have not been developed for the purpose of aggregating and reporting data in the manner required by the proposed reporting. Although the current FX infrastructure may be able to be leveraged for the purposes of reporting, the FX industry will still need to dedicate extensive time, resources and expense to construct the robust framework required to meet these new reporting requirements.

The phase-in period should take account of the work needed for FX market participants to establish connectivity to the repository, once the final standards for data provision are known, including the determination of unique identifiers, as well as the time needed for the repositories themselves to be properly established. This should then be followed by establishment of minimum reporting requirements and large block thresholds and finally implementation of public dissemination. This would assist the Committee in making due and appropriate consideration of the different asset classes and their underlying instruments.

To put this into context, we note that the Credit Derivatives Trade Information Warehouse was implemented using a phase-in approach; new trades for dealers were first sent to the warehouse 12 months after work commenced and phased implementations over the following two years addressed on-boarding of clients and back-loading of trade populations. At the very least, similar timeframes should be considered for the implementation period for the Foreign Exchange market given the lack of existing infrastructure for reporting and due to the significantly higher volumes of transactions that need to be reported.

One final element of phase-in that should be considered is a gradual phase-in of the targeted timeframe for reporting information. By analogy with TRACE, the time required for reporting when the system was first introduced was 75 minutes, and over a period of several years this was reduced to 15 minutes as evidence was compiled that such reductions could be safely achieved technologically and without adverse market impact. The reporting requirements set out in the rules are significantly more complex than for TRACE, therefore the phase-in should reflect this degree of complexity.

Question #3: What is the appropriate block trade threshold for the Canadian market?

Question #4: What is the appropriate publication delay for block trades?

Question #5: Would a uniform block trade threshold across asset classes be acceptable or should thresholds be determined based on asset class? If block trade thresholds should be determined based on asset class, what thresholds would be suitable for specific asset classes?

Question #6: If block trade thresholds are determined by asset class and given the changes inherent in liquidity conditions, how often should these be assessed? (As per the CFTC's two tests proposal for example?)

With regard to public reporting of transaction data, we welcome the acknowledgment that care should be taken in avoiding any detrimental impact on existing market transparency, price discovery and liquidity by reducing the number of available providers.

Whilst broad product coverage is appropriate, it is not appropriate to have uniform treatment within product types. The same product has very different risk and liquidity characteristics when transacted in different currencies, timescales and sizes and the regulatory environment needs to be crafted with this in mind.

Determining the appropriate exemptions for block trading and large notional swaps is critical to preserving liquidity for end-users. Sub-optimal disclosure may hinder a market maker's ability to hedge, impacting liquidity or increasing end-user costs to compensate for increased risk. It cannot be stressed enough how some corners of the FX market have very low liquidity and the

adverse impact immediate public reporting would have on dealers' abilities to make reliable markets for end-users. As set out in the consultation document, the transparency proposed should not under any circumstances identify market participants' positions and should preserve their anonymity.

Exemptions and delays should be tailored not just to asset classes but to categories of types of swaps within those asset classes. A one-size-fits-all approach is almost certain to be inappropriate given the different levels of liquidity in different markets. While there is a dependency on how the sub-categorization of the swap products is defined, there will be material differences in both minimum block size and large notional size which have a direct impact on the market's ability to absorb hedge activity and therefore should affect reporting requirements. For FX, dynamic reporting periods and block sizes based on liquidity factors and taking into account size to average notional in the market is clearly appropriate when considering different types of transaction and the full range of currency pairs.

We have insufficient data and analysis to comment on the appropriateness of the proposed time delays and on the calculation of minimum block sizes for FX at this time. To ensure a more efficient and effective market for end-users, we believe it is critical for the Committee to mandate further analysis and research before setting these parameters. This could be achieved through independent academic research to determine the appropriate methodologies for determining block size thresholds, public dissemination delays and the information publicly disseminated for block trades. The implementation of the FX trade repository will assist greatly in providing the underlying data for such research. The key determining factors would need to be reviewed but for FX could initially cover the following:

- Currency pair – for example, G10 currencies are more liquid than emerging market currencies. Emerging market currencies might also be split into different levels of liquidity by currency.
- Product – Forward, swap, vanilla/1st generation option, NDF, basket option, digital option, exotic option.
- Notional size and tenor.
- Time of day / year – influence of changing volumes intra-day and across periods.
- Strike price – impact on liquidity of strike price.

We consider this of vital importance to the efficient and smooth functioning of the market and are willing to make ourselves and our members available to assist the Committee in this regard. Accordingly, public reporting should not be implemented until block trade sizes and appropriate reporting delays have been fully investigated and agreed. We therefore disagree with the proposal made in the document that no further delay for block trades is necessary simply because trade reporting must be undertaken within one business day and not in real time. As discussed elsewhere we believe phasing should apply both to real time reporting and public dissemination.

In reviewing the block trade sizes, the document references the CFTC proposed rules and we understand that these suggest reviewing block sizes annually. We believe that specific block size thresholds should be updated more frequently than this to take account of changing liquidity in markets. Frequency should form part of the analysis suggested above.

We also point out that if there are multiple trade repositories, this may mean that only a sub-section of the FX market was available for analysis by each of those trade repositories. Any analysis based on this subset would therefore be skewed. The Committee should therefore mandate that any analysis be undertaken including the whole of the relevant data set (again, made easier by mandating a single global trade repository with access to all onshore and offshore trades). Where a determination on block sizes is made, this should be subject to public consultation and comment.

Ensuring the anonymity of OTC derivative transaction counterparties

The Committee notes the importance of maintaining the anonymity of OTC derivative transaction counterparties. We believe that in order to achieve this the Committee will need to mandate the reporting of less specific information with regard to the underlying assets and tenors of transactions. This is essential in ensuring liquidity in thinly traded areas of the market and minimising the potential for market manipulation.

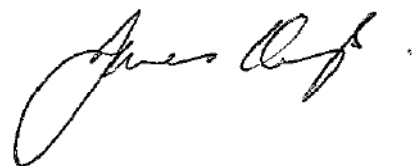
In mandating reporting, the Committee should retain flexibility on the specificity of data reported. In certain circumstances, this may mean reporting certain fields according to a range. In limited circumstances, this may mean reporting no information at all. This will be the case for option strikes and premium levels and currency fields for transactions involving non-major currencies, amongst others.

Phasing and implementation

As discussed in section 2, we believe that given the breadth of the proposed reporting requirements, a phased approach would be sensible. This should focus on implementing the infrastructure to enable the transparency and oversight desired by regulators, followed by establishment of minimum reporting requirements and large block thresholds and finally implementation of public dissemination. In this way, the Committee would be able to make due and appropriate consideration of the different asset classes and their underlying instruments.

We appreciate the opportunity to share our views on the Committee's consultation paper. Please do not hesitate to contact me at +44 (0) 207 743 9319 or at jkemp@gfma.org should you wish to discuss any of the above.

Yours sincerely,



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