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Global Foreign Exchange Division
39th Floor
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TO:

Mr. Christopher J. Kirkpatrick
Secretary
Commodity Futures Trading Commission
Three Lafayette Centre, 1155 21st Street, N.W.
Washington, D.C. 20581

September 29, 2017

Re: Commodity Futures Trading Commission Request for Public Input on Simplifying CFTC Rules (Project KISS) – Clearing (RIN 3038–AE55)

Dear Mr. Kirkpatrick,

The Global Foreign Exchange Division (“GFXD”) of the Global Financial Markets Association appreciates the opportunity to provide comments to the Commodity Futures Trading Commission (“CFTC”) on its Project KISS initiative. We greatly appreciate the continuing efforts of the CFTC and its staff to review the CFTC’s rules, regulations and practices to identify those areas that can be simplified and made less burdensome and costly to apply.

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). Our members comprise 25¹ global foreign exchange market participants collectively representing over 80%² of the FX inter-dealer market. The GFXD and its members are committed to ensuring a robust, open and fair marketplace and welcome the opportunity for continued dialogue with global regulators.

As explained in more detail in our letter to the CFTC dated September 30, 2016³ regarding CFTC clearing mandates for FX, our view is that voluntary FX non-deliverable forwards (“NDF”) clearing

¹ Bank of America Merrill Lynch, Bank of New York Mellon, Bank of Tokyo Mitsubishi UFJ, Barclays, BNP Paribas, Citigroup, Crédit Agricole, Credit Suisse, Deutsche Bank, Goldman Sachs, HSBC, JP Morgan, Lloyds Bank, Mizuho, Morgan Stanley, Nomura, Royal Bank of Canada, Royal Bank of Scotland, Scotiabank, Société Générale, Standard Chartered Bank, State Street, UBS, Wells Fargo and Westpac.

² According to Euromoney league tables.

³ <http://www.gfma.org/correspondence/item.aspx?id=846>

should be allowed time to develop further organically before any proposed rulemaking/timeline is contemplated for these products, particularly in light of an expected CFTC review of its regulations pertaining to swap execution.

We expect the volume of NDFs being voluntarily cleared to continue to grow over time, especially as further relevant US rules and regulations continue to take effect, such as those concerning capital requirements and the exchange of margin on uncleared OTC derivatives contracts. Nevertheless, we recommend re-assessment of whether an NDF clearing mandate might be appropriate, and what form such a mandate might take, only after there has been further increasing NDF notional being voluntarily cleared, additional growth in the number of market participants voluntarily clearing NDF products, satisfaction as to a systemic risk justification, and sufficient deliberation around addressing outstanding technical issues and potential knock-on impacts of an NDF clearing mandate, for example in relation to prime-brokered FX transactions, client clearing and mandatory trading obligations.

When considering clearing mandates, we also recommend that consideration be given to global agreement and harmonization. It is important for regulatory authorities in the US to coordinate with regulators in other jurisdictions to ensure that there is sufficient agreement concerning NDF contract specifications, including the adoption of EMTA templates, before any NDF clearing determinations are introduced. Because the FX market forms the basis of the global payments system, in order for this market to continue to function effectively and in order to avoid unwanted fragmentation of what is an already highly automated, transparent and well-functioning market, substantive regulations, including any mandatory FX clearing obligations, should be harmonized to the greatest extent possible at the global level.

We are very grateful for the opportunity to share our views on the concerns we have raised. Please do not hesitate to contact Victoria Cumings on 212-313-1141, email vcumings@gfma.org should you wish to discuss any of the above.

Yours sincerely,



James Kemp
Managing Director
Global Foreign Exchange Division, GFMA