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TO:

Christopher Kirkpatrick
Secretary of the Commission
Commodity Futures Trading Commission
Three Lafayette Center
1155 21st Street NW
Washington, DC 20581
Via CFTC portal

December 20, 2019

Re: Margin Requirements for Uncleared Swaps for Swap Dealers and Major Swap Participants; RIN 3038–AE89

Ladies and Gentlemen:

The Global Foreign Exchange Division (“GFXD”) of the Global Financial Markets Association welcomes the opportunity to provide comments to the Commodity Futures Trading Commission’s (the “CFTC”) notice of proposed rulemaking regarding “Margin Requirements for Uncleared Swaps for Swap Dealers and Major Swap Participants” (the “Proposal”)¹ under Title VII of the Dodd-Frank Wall Street Reform and Consumer Protection Act.

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 26 global foreign exchange (“FX”) market participants,² collectively representing a significant portion of the FX inter-dealer market. Both the GFXD and its members are committed to

¹ Margin Requirements for Uncleared Swaps for Swap Dealers and Major Swap Participants, RIN 3038–AE89 (Oct. 24, 2019).

² Bank of America Merrill Lynch, Bank of New York Mellon, Barclays, BNP Paribas, Citigroup, Crédit Agricole, Credit Suisse, Deutsche Bank, Goldman Sachs, HSBC, JP Morgan, Lloyds Bank, Mizuho, Morgan Stanley, MUFG Bank, NatWest Markets, Nomura, Northern Trust, Royal Bank of Canada, Scotiabank, Societe Generale, Standard Chartered Bank, State Street, UBS, Wells Fargo and Westpac.

ensuring a robust, open and fair marketplace and welcome the opportunity for continued dialogue with global regulators.

The FX market is the world's largest financial market and the effective and efficient exchange of currencies underpins the international financial system. The FX market is also the basis of the global payments system, meaning the volume of transactions is very high and transactions are often executed by market participants across geographical borders. Globally coordinated regulation is therefore especially important for the FX market and in our view benefits both regulators and market participants alike.

Compliance Period for IM Requirements

We support the addition of a sixth compliance phase for IM requirements, such that the compliance date for counterparties with average daily aggregate notional amounts ("AANA") from \$50 billion to \$750 billion would be September 1, 2020 and counterparties with AANA from \$8 billion up to \$50 billion would have their compliance date extended to September 1, 2021.

This aligns with the international margin framework, as recently amended by the Basel Committee on Banking Supervision ("BCBS") and International Organization of Securities Commissions ("IOSCO")³.

While the extension of the compliance period for counterparties with AANA from \$8 billion up to \$50 billion will not solve all the challenges anticipated in the final phases, it does help from a practical and risk perspective as it reduces the potential for market disruption that could occur if all counterparties with AANA from \$8 billion to \$750 billion came into scope for IM requirements at the same time. It also gives both dealers and smaller market participants newly coming into scope of IM requirements a better opportunity to prioritize and manage their compliance efforts.

Challenges for Separately Managed Accounts ("SMAs")

In relation to the monitoring and preparation for margin exchange we also wish to note to the CFTC, as we have done with the US Prudential Regulators, a concern regarding practicalities for asset managers handling SMAs, who we understand will have great difficulty in anticipating the precise point in time at which their client crosses the \$50 million IM exchange threshold

³ See BCBS and IOSCO, *Margin requirements for non-centrally cleared derivatives* (Jul. 2019).

because they lack the requisite transparency to predict when the SMA client's aggregate IM (across all of its asset managers) with a swap dealer and its affiliates is at or near the IM exchange threshold. We hope that the CFTC can consider this concern and engage with the industry as necessary and appropriate to ensure mitigation of any risks that could be implicated by these challenges for trading activity of in-scope firms.

We greatly appreciate the opportunity to comment on the Proposal. Please do not hesitate to contact Victoria Cumings on +1 212 313 1141, email vcumings@gfma.org should you have any questions or wish to discuss the above.

Yours sincerely,

A handwritten signature in black ink, appearing to read "James Kemp". The signature is fluid and cursive, with a large loop at the end.

James Kemp
Managing Director
Global Foreign Exchange Division, GFMA