Testimony of

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On Behalf Of The

Institute of International Bankers

Before the

U.S. House of Representatives

House Committee on Financial Services

Subcommittee on Capital Markets and Government Sponsored Enterprises

"Challenges Facing the U.S. Capital Markets to Effectively Implement

Title VII of the Dodd-Frank Act"

December 12, 2012

Chairman Garrett, Ranking Member Waters and members of the Subcommittee. My name is Keith Bailey. I am a Managing Director in the Markets Division of Barclays where I have responsibilities for evaluating and implementing the changes to our derivative businesses globally resulting from the enactment of the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank). I have over twenty five years of experience in the derivatives market, both here in the U.S. and abroad. I am very pleased to be here today to testify on behalf of the Institute of International Bankers (IIB) on the implementation of Title VII of the Dodd-Frank.

The IIB represents internationally headquartered financial institutions from over 35 countries around the world; its members include international banks that operate branches and agencies, as well as bank, securities broker-dealer and futures commission merchant subsidiaries in the United States. In the aggregate, our members' U.S. operations have more than $5 trillion in assets and provide 25% of all commercial and industrial bank loans made in this country and contribute to the depth and liquidity of U.S. financial markets. Our members also contribute more than $50 billion each year to the economies of major cities across the country in the form of employee compensation, sponsorship of local and national charities, tax payments to local, state and federal authorities, as well as other operating and capital expenditures.

In my testimony today I will address the continuing uncertainties surrounding the cross-border application of Title VII's swap dealer requirements as a result of unresolved issues regarding how to interpret the statutory mandate that Dodd-Frank's swaps requirements do not apply outside the United States unless those activities have a "direct and significant" effect on commerce in the United States. I will focus in particular on registration requirements; the compliance challenges facing foreign headquartered banks and their clients resulting from lack of clarity on what may constitute a US person; and the narrow scope of the substituted compliance regime set forth in the cross-border guidance proposed in July by the CFTC.

The IIB wishes to recognize at the outset that both the CFTC and the SEC have had to deal with an enormous number of complex rulemakings, many of which have interlocking dependencies. There has been no lack of effort by the Commissioners and their dedicated staff in facing this challenge and responding to the many requests for relief submitted by the industry. We support the CFTC's choice to address the swap clearing rules as an initial priority and to focus on the reporting requirements early to promote sound and transparent markets. We look forward to continuing to work with our home country regulators and policymakers here in the U.S. to implement these fundamental reforms with the least amount of market disruption.

The Committee's focus on the challenges to the U.S. capital markets in effectively implementing Title VII is most timely. Recently, the CFTC held a meeting of its Global Market Advisory Committee with regulators in attendance from the European Union, Japan, Australia, Canada, Hong Kong and Singapore. These foreign regulators raised serious concerns over the potential for conflicting rules due to the perceived lack of coordination between U.S. market regulators and the extraterritorial application of U.S. rules. As Patrick Pearson, Head of the Financial Market Infrastructure Unit for the European Commission, stated:

> There are a lot of known knowns that we can already draw conclusion on today as to why proposed approaches across the globe simply won't work. They won't mesh. They won't interact. They will cause conflicts. They will cause inconsistencies. They will cause gaps. And in the end the conclusion is many of the G20 requirements and expectations won't be met not because lack of good will, but because we need to take a wider view of how our rules work on a cross-border basis in this global market.

The IIB and its members, which include many of the most active global swap market participants, support effective implementation of the G20 reforms. However, the current uncertainty seen in global markets results in significant part from implementation dates being effective for various requirements before relevant final rules have been published by the market regulator, which prevents market participants from making fully informed decisions regarding to which regulations they are subject and how to be compliant. In my testimony today, I will propose steps that might be taken by the market regulators to provide necessary near-term relief in advance of the regulatory-prescribed December 31, 2012 swap dealer registration deadline, and recommendations on long-term solutions that could provide a clear path forward for global implementation.

The Challenges Surrounding Swap Dealer Registration

The cross-border aspects of swap dealer registration are indicative of more general concerns with the Title VII implementation process that are broadly held by both foreign and domestic firms.[1] It is evident that many IIB member firms' foreign-headquartered parent entity will have to register as a swap dealer.[2] There are, however, many unanswered questions regarding how the applicable requirements of Title VII will apply to their head office swap dealing activities – and in particular how the term "U.S. person" is defined and what "substituted compliance" will entail. For others, the threshold question of whether the foreign parent entity (or a non-U.S. affiliate) will have to register in the US as a swap dealer depends in critical part on whether reliance can be placed on the so-called *de minimis* exception[3], which in turn depends on the answers to key questions such as how the aggregation rule[4] is applied and, again, how the term "U.S. person" is defined for this purpose. None of these matters have been resolved, despite industry-wide efforts seeking such resolution, yet each is fundamental to determining who has to register as a swap dealer; to whom various transaction level requirements will apply under Title VII, and how substituted compliance may be accomplished.

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1 While my testimony addresses Title VII's swap dealer requirements, it merits noting that significant questions have also arisen regarding whether their swap-related activities may require persons to register as an introducing broker, commodity trading advisor or commodity pool operator, as well as whether a person fits within the definition of an "eligible contract participant" under the CEA.

2 A survey of our members found that a significant majority of them plan to register their head office as a swap dealer while others are struggling to manage their group's U.S.-facing swap activities within the limits of the *de minimis* threshold.

3 The *de minimis* exception currently is set at $8 billion in notional amount of swaps, but includes a much lower threshold – $25 million in notional amount of swaps – for swaps with "special entities". In the context of transactions with asset managers whose clients include special entities, a firm may not learn until after the trade that a swap dealing transaction it has entered into with the asset manager has been allocated to a special entity, but it appears that the trade would be treated has having been made with the special entity, thereby posing very difficult compliance challenges for a firm that plans to remain under the *de minimis* threshold.

4 The aggregation rule requires a non-U.S. entity, in determining whether it qualifies for the swap *de minimis* exception, to aggregate its swap dealing transactions with "U.S. persons", with the transactions of all of its other non-U.S. affiliates that are with "U.S. persons".

Scope of Registration

These uncertainties have real impact on markets. Several European and Asian market participants leading up to October 12 ceased to trade with any counterparty that might possibly fall within the "U.S. person" definition – even in non-U.S. markets and in respect of both U.S. dealers providing liquidity to these market participants and their clients to whom they, in turn, provide liquidity - so as to mitigate the risk of their needing to register.[5]

The CFTC provided an interim definition of "U.S. person" in a no-action letter dated October 12th. This action has been helpful in permitting foreign banks to continue to deal with offshore branches of U.S. swap dealers, or their offshore subsidiaries, without these transactions being counted towards the *de minimis* threshold that would require the foreign bank to register as a swap dealer. However, this relief expires on December 31st. Absent further guidance from the CFTC, uncertainty pervading the market regarding the definition of "U.S. person" will return and once again certain market participants almost surely will restrict their dealings with any counterparty or client, including offshore branches and subsidiaries of U.S. swap dealers, that may prospectively fall within the "U.S. person" definition

Aggregation

Exacerbating the uncertainties resulting from the lack of a final "U.S. person" definition, the CFTC's overly broad "aggregation" requirements have not yet been adequately addressed, thereby seriously impeding firms' determinations of whether one or more of their off-shore affiliates are required to register. While we understand the purpose of the aggregation rule is to prevent evasion, it effectively eliminates the *de minimis* exception for any financial group that

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[5] *See*, *e.g.*, "Banks Opt Out in Swap Row," The Wall Street Journal, October 22, 2012 online edition (http://online.wsj.com/article/SB10001424052970203400604578072221988442386.html).

has already determined to register with the CFTC one or more off-shore swap dealers. The potential consequences are especially anomalous in those foreign jurisdictions which require firms to operate through local subsidiaries. Each affiliate of a non-U.S. registered swap dealer in these countries would themselves become subject to U.S. swap dealer registration if they provided even just one U.S. customer with access to its local market. Left unchanged, the aggregation rule would significantly increase the number of entities subject to swap dealer registration which demonstrably have no "direct and significant" effect on commerce in the United States. In one instance, for example, inclusion in the aggregation rule of swaps by registered swap dealer affiliates within a group would result in the registration of almost 30 group companies, whereas a more reasoned application of the aggregation requirements for the *de minimis* exclusion would reduce the number to not more than 5.

If fear of evasion is the driving factor behind the aggregation rule, then we would submit that anti-evasion rules or the basic *de minimis* threshold test would be sufficient to address the CFTC's concerns. As things stand at present, many non-U.S. entities are incurring the expense of preparing to register as swap dealers with the CFTC, notwithstanding the minimal nexus and impact their swap dealing activities have to the United States.[6] The only way at present an entity that may be subject to registration by reason of the aggregation rule can avoid registration is to cease dealing with counterparties that might be treated as a "U.S. person". We do not believe this result was intended by Congress, and urge the CFTC to address this issue promptly.

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[6] For those firms that decide to avoid swap dealing with "U.S. persons" (however defined) altogether, and thus choose to "run off" their U.S. swap positions in place before October 12th and refer any new U.S. business to a member of the group that plans to register, the lack of certainty regarding how these so-called "legacy swaps" will be treated for swap dealer registration purposes adds yet another layer of uncertainty. The CFTC is considering a joint request by the IIB, FIA and SIFMA to provide no-action relief with respect to this matter.

Reporting and EBCS – Post Registration Day One Compliance Hurdles

These registration challenges are compounded to the extent that some aspects of compliance are not entirely within firms' control. For example, the external business conduct rules in effect require swap dealers to "re-onboard" their swaps client that fall within the "U.S. person" definition. ISDA has developed a Protocol to facilitate this process, but many counterparties are unwilling to sign the ISDA Protocol because of the continuing uncertainties regarding the definition of "U.S. person" and how the swap rules may apply extraterritorially.

Such uncertainty is creating two known challenges for compliance purposes in the near-term. First clients may believe that they are out of scope based on their interpretation of the new proposed regulatory "U.S. person" definition, but the swap dealer industry may believe they are in scope. In this case, swap dealers will be unable trade with such clients beginning January 1, 2013 because the clients, believing they are out of scope, will not agree to sign the ISDA Protocol. Second, clients may believe they fall within the scope of "U.S. person" even though it was not the goal of the CFTC to capture them through the definition. This situation creates an even further complexity for a client that elects to apply Dodd-Frank rules/protections, which may conflict with swap dealer regulatory obligations for transactions with the client under other regimes.

Privacy Laws

Local jurisdiction privacy laws are another compliance hurdle outside the scope of an individual firm's control. Currently, certain jurisdiction's laws will not permit data reporting as contemplated under the CFTC's cross-border proposal based on the home country regulator's interpretation of Dodd-Frank's regulatory reporting requirements. Some affected jurisdictions are key economies such as France, Singapore, Luxembourg, South Korea and China. The CFTC's response – simply not trading in such jurisdictions in order to avoid the regulatory conflict – raises fundamental trade constraint issues. This matter calls for further analysis before finalizing any cross-border guidance or at least requires interim relief. Foreign governments recently submitted letters to the CFTC stating that the U.S. regulatory position in this area is potentially inconsistent with the G20 commitments. For example, the definition of "U.S. person" in the CFTC's proposed cross-border guidance may be expansive enough to also cover persons that are French entities for privacy law purposes, such as a fund incorporated in France with U.S. investors. French privacy laws are stringent; a breach carries severe penalties and client consent may not be sufficient. Swap dealers should not be left in the position of having to breach either the CFTC's reporting requirements or French privacy laws. It is essential that global regulators coordinate to address and resolve such conflicting requirements. It is not an issue that can be put on swap dealers alone to solve.

New Regulatory Definition of "U.S. Person"

Overall, the CFTC and SEC have taken different approaches in implementing Title VII. Even though the Commissions have finalized joint rules for foundational definitional elements such as "swap", "security-based swap", "swap dealer" and "security-based swap dealer", there is a divergence in process and timing for the consideration and adoption of rules governing how swap products are offered to clients. With respect to the cross-border aspects of Title VII, there is a very real concern that the CFTC's cross-border application of its rules, including with respect to its definition of "U.S. person" and its adoption of a "substituted compliance" regime, may differ from cross-border application of the SEC's rules, thereby significantly impeding and complicating the compliance efforts of market participants active in trading both swaps and security-based swaps. In addition, the significant difference in compliance timelines may lead to complications in the future, as the systems and processes developed by firms to comply with CFTC rules may have to be re-engineered to comply also with SEC rules.

In addition, we face the prospect that the CFTC and the SEC may adopt final "U.S. person" definitions that are not the same. Equity and credit derivative markets both involve indices and transactions on single names that trade in close relationship at a desk level. The lack of a uniform "U.S. person" definition is likely to fractionalize the market since different rules will apply to different components of the same market.

The CFTC's phase-in rules for the mandatory clearing of swaps provide a vivid illustration of the urgent need for clarity regarding the "U.S. person" definition and its application to cross-border swap dealing transactions. Under these rules, transactions between swap dealers and "active funds" involving any one of a set of interest rate swaps and credit default swaps designated by the CFTC must be centrally cleared starting March 11, 2013.[7] Whether or not an "active fund" is a "U.S. person" is critical to determining whether such a trade must be centrally cleared in accordance with the CFTC's rules. Those "active funds" in Europe and elsewhere outside the United States that are in the "grey zone" as to whether or not they will fall within the "U.S. person" definition, clearly need to know as soon as possible whether or not they are going to be required to clear trades pursuant to the CFTC's rules starting less than three months from today. An expansive "U.S. person" definition will bring into scope many funds outside the United States which heretofore would not expect to be subject to these requirements. "Active Funds" to which the clearing mandate applies because they may be a "U.S. person" but

[7] An "active fund" is a private fund whose swap trading during a prescribed period exceeds a regulatory-prescribed minimum.

which are not ready by March 11 to have their trades in designated swaps cleared in compliance with the CFTC's rules will have to either trade exclusively with non-U.S. swap dealers or not trade such swaps at all until they are able to do so in accordance with the CFTC's rules.

<u>"Substituted Compliance" and the Need for International Coordination</u>

The cross-border implementation of Title VII's requirements involves the overlay of a new regulatory regime on an established global market. This process, accordingly, requires close coordination with initiatives underway in other countries which, at the same time and with the same commitment as the United States, are working diligently to implement the OTC derivative reforms agreed to at the September 2009 G20 Summit. We support the efforts of the global regulatory community and the recent joint statement they published on working toward a solution in the near term to address scope and conflict of law issues.

The CFTC's proposed cross-border guidance in some instances allows for "substituted compliance", an approach which the IIB and its members in general support. However, the manner in which the CFTC conceives of and proposes to apply substituted compliance does not comport with international regulatory expectations of a substituted compliance regime. The CFTC proposes to apply substituted compliance in a manner that appears to be more granular in nature than is the case in other countries. Foreseeable challenges resulting from this approach include the following:

- Non-US regulators may not take a prescriptive view of rulemaking. For instance, the U.K. has a principle-based rule against conflicts of interests, whereas the CFTC has identified specific conflicts and prescribed rules for those (*e.g.*, Chinese walls between clearing and execution businesses).

- The substituted compliance regime needs to allow for the differences in timing with respect to implementing of swap market reforms by various regulators, either by allowing for submissions based on proposed rules or providing additional time.

- Uncertainty remains as to what the substituted compliance process will entail and what the timetable will be. In this regard, the proposed exemption to July of next year is helpful but regulators need to coordinate more closely with each other so that the timing is better aligned, plus the proposed exemption is just that. If the exemptive order is not issued in final form in the very near future, there will be no substituted compliance in any form and U.S.-registered swap dealers will be required to comply with both U.S. and home country entity level requirements.

In addition, clarification is required as to the determination process, and an appropriate timeframe should be put in place that clearly gives firms appropriate time post-determination to either implement entity level requirements or avail themselves of substituted compliance, especially given that substituted compliance may involve large enterprise-wide requirements. Instead of determining substituted compliance on the basis of individual requirements, substituted compliance should be based on a principles-based, holistic evaluation of a jurisdiction's "entity-level" requirements, on the one hand, and "transaction-level" requirements, on the other.[8] Because entity-level and transaction-level regulations have generally been handled separately outside the United States, this would be consistent with an overall approach based on regulatory recognition of emerging global norms in the regulation of OTC derivatives. In addition, it avoids creating a situation in which a local regulator's rules cannot be enforced effectively due to lack of jurisdiction.[9]

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[8] Regarding margin requirements for uncleared swaps, for example, such a principles-based approach calls for recognition of comparable requirements in other jurisdictions, such that where a regulator in one jurisdiction adopts margin requirements for non-centrally-cleared swaps that are comparable to those of a second jurisdiction, the regulator in the second jurisdiction would permit entities organized in the first jurisdiction to comply with the first jurisdiction's requirements in lieu of requiring compliance with its own requirements. Where a comparability finding cannot be made, the situation should be resolved giving due regard to comity principles.

[9] In addition, we note that some foreign regulators have communicated to firms that they reserve the right to ask them to move activities conducted by a local entity that would trigger registration as a swap dealer in the U.S. out of the local entity in order to limit the extent of any extraterritorial conflict with their own rules.

Conflicts of Laws

The risk of conflicts between jurisdictions' laws will remain high until global regulators agree to a process to regulate persons, transactions or entities with respect to cross-border activity where more than one regulatory regime applies. There are many examples of potential and probable conflicts that illustrate the problems presented by the approach taken in the CFTC's proposed cross border guidance.

Application of the clearing and execution mandates provides the most evident example. For example, if an entity based in Europe falls within the "U.S. person" definition, then that entity will very likely be subject to both the U.S. and EU regulation as to which swaps have to clear; on what clearing house they have to be cleared, and on what specific venues such a trade must take place. An overly broad "U.S. person" definition will likely bring into scope many funds managed in the EU. If the U.S. rules require such a trade to clear exclusively on a U.S.-regulated clearing house but the EU rules require that trade to clear exclusively on an EU-.regulated clearing house, then that entity cannot execute that trade without being in breach of one set of rules or the other. Consequently, that trade will not take place, and the entity will have to resort to less optimal ways to eliminate risk. This introduces costs that pass to the ultimate consumer and adversely impact the economy by introducing risk into the system.

Similar conflicts may arise with respect to execution mandates. For example, both the U.S. and EU rules provide for regulatory oversight of the execution protocols for a transaction. However, the U.S. and EU regulations are not technically identical even though they both meet the goals under the G20. Unless the international regulatory community agrees to a principles-based approach for recognizing regulations in foreign markets where there are redundant rules for the same transactions, market participants face the unintended outcome of the inability to execute transaction for products that clients use daily to hedge risk. It is essential that international regulators eliminate these conflicts by recognizing as equivalent each other's trading venues for the purpose of meeting the "trading on platforms" mandate. Any other outcome will result in severe market disruption.

The alternative approach to minimizing these conflicts is to go down the path of subsidiarization, under which, for example, U.S. persons must transact only with a U.S.-incorporated entity and in accordance with U.S. regulation and a European Union client must trade exclusively with a dealer established in the EU under EU regulation and so forth. We believe that such an approach is not a realistic solution and would introduce numerous new systemic risks, create fragmented markets resulting in reduced access to markets and dramatically increase clients' costs.

International Implementation of G20 Commitments for OTC Reform

The potential for cross-border conflict poses very difficult challenges for firms. While the timing of efforts to implement OTC derivatives reform around the world is not entirely coincident, there is substantial alignment among the approaches taken in various countries and intensive implementation efforts are underway. There is an urgent need for harmonization as jurisdictions, which represent the majority of trading activity, work to reach their G20 commitments. The European Market Infrastructure Regulation (EMIR) is now law and final technical standards are expected to be approved by the European Commission by the end of the year with implementation dates during 2014. Mandatory clearing of certain transaction began in Japan on November 1st, and in September the Japanese Diet approved trading platform and market transparency legislation. Thus, there is very substantial progress in key jurisdictions toward implementing a dynamic and effective swaps regulatory regime, and certainly U.S.

authorities should take these developments into account when contemplating the need to extend their requirements outside the United States. European and Japanese regulators have for the time being deliberately not applied their rules on a cross-border basis in an effort to achieve harmonization among jurisdictions. Absent a satisfactory resolution of these cross-border issues, it is entirely possible that the extraterritorial application of U.S. swap regulation may result in other jurisdictions likewise applying their swap regulations extraterritorially to the potential detriment of U.S. firms. For example, it is conceivable that failure to reach a satisfactory resolution of the difficult "substituted compliance" questions raised by the CFTC's cross-border proposals could have very adverse consequences for U.S. firms' ability to trade from the United States with counterparties located in the European Union.

Need for Certainty: An Interim Solution [10]

It would be preferable to place the implementation process on a more stable footing and allow longer implementation periods based on firms' good faith compliance efforts instead of providing abbreviated periods that are virtually certain to result in additional requests for relief as the time period expires. Efforts to implement aspects of Title VII in as expeditious a manner as possible have resulted in confusion in the market and significantly heightened compliance risk. These unintended consequences can be avoided by modifications to the process that the regulators, with Congress' support, should undertake to ensure the law is implemented in a timely manner but with the least disruption to swap dealers' ability to serve their clients' needs. I suggest below how such an approach can be put in place with respect to cross-border issues.

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10 Regarding another matter that is that is creating significant market uncertainty and is critical to foreign banks under Title VII, the IIB would like to thank the Committee for taking action earlier in the year to approve legislation containing a technical fix to Section 716 of Dodd-Frank, the so-called Swap "Push Out" Rule, to provide parity for the uninsured branches and agencies of foreign banks vis-à-vis insured depository institutions. We are now many months closer to the July 2013 deadline for the swap push out, and this matter merits urgent action.

The need for clarification and certainty for firms prior to December 31st cannot be overstated. As mentioned above, already we have seen some foreign firms declare that they will cease doing swaps business with counterparties that might be designated under the CFTC's rules as a "U.S. person". Moreover, counterparties themselves have indicated their reluctance to trade with firms that might be designated as a "U.S. person". The prospect of fragmented liquidity in the market resulting from ongoing uncertainty regarding Title VII's extraterritorial reach is very real. We strongly encourage continued dialogue among the CFTC and its counterparts overseas, but this should not forestall in any way measures that provide interim relief that will enable firms to commence business as registered swap dealers in a manner that avoids cross-border conflicts and facilitates compliance with all applicable requirements. Perfecting a long-term approach to cross-border issues cannot take precedence over finalizing transition relief.

In the current circumstances, firms have made essentially irreversible implementation decisions based on what was proposed, particularly the exemption from entity-level requirements for non-U.S. registrants and the application of transaction-level requirements solely to swaps by such registrants with "U.S. persons". In addition, as noted above, there are very substantial policy and practical issues, most notably in the areas of the "U.S. person" definition and the aggregation component to the swap dealer "*de minimis*" exception, that remain unresolved. Without a satisfactory resolution of these uncertainties, there will be very significant disruption to the markets that may well undermine global coordination efforts.

To address these concerns, the IIB has requested the CFTC to issue an interim exemptive order that would include the following:

- Provide interim relief from the aggregation component to the swap dealer "*de minimis*" exception until next July, so that the CFTC has additional time to consider the nature of any more definitive changes to the rule.

- Adopts an interim "U.S. person" definition, such as the one contained in the CFTC's October 12th no-action letter on this subject, while also recognizing that firms are only in a position to come into good faith compliance with such a definition given that there is now not any time for them systematically to obtain counterparty representations before year-end.

- Provides certainty regarding the entity- vs. transaction-level rule categorization.

- Provide entity-level rule relief for non-U.S. swap dealers.

- Provide transaction-level rule relief for non-U.S. swap dealers trading with non-US persons.

- Does not include a requirement for submission of a detailed compliance plan prior to the ultimate submission of an application for substituted compliance under the final cross-border guidance, since until then the basis for comparability determinations will not yet be defined; and

- Confirms that, if it does not grant substituted compliance for a jurisdiction, the Commission will extend the exemptive order for registrants in that jurisdiction so that they have time to come into compliance.

Such an interim exemptive order would remain in place until the effective date of final cross-border guidance, thereby providing the needed "bridge" between registration as a swap dealer and the determination of the applicable rules. Of equal importance, such an order would facilitate further discussions with all affected parties and provide the opportunity to work out on a coordinated basis an appropriate substituted compliance regime to govern the relationship between the swap dealer rules adopted pursuant to Dodd-Frank and those applicable under the laws of other countries. Likewise, this approach would provide the time for the CFTC and SEC to establish a consistent approach to such key cross-border questions such as the definition of "U.S person" and the parameters of a substituted compliance regime.

In its final form, the cross-border application of Title VII's requirements should adopt a practical approach to defining "U.S. person" – one that provides market participants certainty and can be readily applied, while at the same time ensuring that transactions with a "direct and significant" connection to the United States are appropriately regulated – and a principles-based approach to implementing a robust substituted compliance regime. Equally important, the relevant regulatory authorities – the CFTC, SEC and their counterparts overseas – must work closely together to ensure that the cross-border regulation of swaps around the world strengthens global markets and avoids their fragmentation into inevitably less efficient regional and national markets. In this regard, the IIB welcomes the "Joint Press Statement on Operating Principles and Areas of Exploration in the Regulation of the Cross-Border OTC Derivatives Market" issued last week by the regulatory authorities that participated in the consultative sessions surrounding the recent meeting of the CFTC's Global Markets Advisory Committee as establishing a useful framework to guide the ongoing efforts to achieve this result.

Thank you for the opportunity to testify today on behalf of the IIB and I am happy to answer any questions.