Meeting between Federal Reserve Board staff and Representatives of Barclays Capital December 14, 2011

Participants: Sean Campbell, David Lynch, Jeremy Newell, and Anna Harrington (Federal Reserve Board)

Allison Parent, Chris Allen, Alan Kaplan, Keith Bailey, Alex Guest (Barclays Capital)

Summary: Representatives of Barclays Capital ("Barclays") met with Board staff to discuss their concerns relating to extraterritoriality with respect to implementation of Title VII of the Dodd-Frank Act. Barclays' representatives stated that, similar to most large non-U.S. banks, Barclays operates its swaps business on a global basis through a central booking location. They explained why subsidiarization – whereby U.S. persons must exclusively transact swaps with a U.S. incorporated entity – would be inefficient from a capital perspective and incompatible with a central booking model creating inefficiencies in capital, netting, and portfolio margining. They stated that subsidiarization would require approval from thousands of counterparties and create default risk under ISDA. The Barclays' representatives also indicated the fragmentation of the global swap market would be challenging from an overall risk management perspective and that from a supervisor standpoint it would be hard for regulators to have visibility of the entire institution.

The Barclays' representatives also discussed swaps push out under section 716 of the Dodd-Frank Act and stated that they agreed with the approach suggested in a white paper published by the Institute of International Bankers on November 29, 2011. They also stated the current proposal for Basel 3 disincentives banks from acting as a clearing member from a capital perspective primarily as a result of risk insensitive default fund calculations.