

THE FINANCIAL SERVICES ROUNDTABLE



Financing America's Economy

Via Electronic Submission

July 8, 2013

Margaret McCloskey Shanks
Deputy Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue NW.
Washington, DC 20551

Re: Prohibition Against Federal Assistance to Swaps Entities (Regulation KK)

Dear Ms. McCloskey Shanks:

The Financial Services Roundtable¹ (the “Roundtable”) welcomes the opportunity to provide the Board of Governors of the Federal Reserve System (the “Board”) with comments on the interim final rule (the “Interim Final Rule”) interpreting Section 716 (the “Swaps Push-Out Rule”) of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the “Dodd-Frank Act”).²

I. The Roundtable Supports the Interim Final Rule

The Roundtable strongly supports the Interim Final Rule’s inclusion of uninsured U.S. branches and agencies of foreign banking organizations (“FBOs”) within the definition of “insured depository institution” (“IDI”) for purposes of the Swaps Push-Out Rule. The Roundtable agrees with the Board that the Swaps Push-Out Rule is “predicated on treatment of uninsured U.S. branches and agencies as [IDIs],” and that such treatment is consistent with Congressional intent.

The Roundtable also agrees with the Board that the Interim Final Rule provides important clarity and certainty to FBOs with uninsured U.S. branches and agencies. As the Board notes, without the Interim Final Rule, uninsured U.S. branches and agencies of FBOs could have been forced to terminate their swaps activities by July 16, 2013, which

¹ The Financial Services Roundtable represents 100 integrated financial services companies providing banking, insurance, and investment products and services to the American consumer. Member companies participate through the Chief Executive Officer and other senior executives nominated by the CEO. Roundtable member companies provide fuel for America’s economic engine, accounting directly for \$98.4 trillion in managed assets, \$1.1 trillion in revenue, and 2.4 million jobs.

² Prohibition Against Federal Assistance to Swaps Entities (Regulation KK), 78 Fed. Reg. 34,545 (June 10, 2013).

could have led to “[FBOs] and their counterparties winding down their swaps activities in an inefficient and disorderly fashion” resulting in “significant operational and other risks.” Although the Swaps Push-Out Rule is nominally intended to mitigate risk, the Board correctly notes that a failure to treat uninsured branches and agencies of FBOs as IDIs for purposes of the Swaps Push-Out Rule could have caused precisely the opposite result.

II. The Board Should Grant All Requests for a Transition Period Submitted Pursuant to the Interim Final Rule

Consistent with the Dodd-Frank Act, the Interim Final Rule provides that uninsured U.S. branches and agencies of FBOs and state member banks may seek a transition period from the Board of up to 24 months within which to conform their activities to the Swaps Push-Out Rule. This 24-month transition period would be measured from (i) July 16, 2013 (the effective date of Swaps Push-Out), for an entity that is a swaps entity as of July 16, 2013 or (ii) the date on which the entity becomes a swaps entity, if that date occurs after July 16, 2013. Consistent with Sub-section (f) of the Swaps Push-Out Rule, the Interim Final Rule also provides that the Board may, in consultation with the Commodity Futures Trading Commission and Securities Exchange Commission, extend this transition period for up to one year.

The Roundtable strongly supports the Interim Final Rule’s provision for a transition period for uninsured U.S. branches and agencies of FBOs and state member banks and commends the Board for making the transition period available in advance of the July 16 effective date. Consistent with our comments to the Office of the Comptroller of the Currency (the “OCC”) on its transition period guidance,³ we recommend that the Board grant the full, extended transition period to any FBO or state member bank that submits an informationally complete request pursuant to the Interim Final Rule. Approval of all informationally complete applications will send an important signal to market participants and help prevent any undue negative impacts on market stability.

An extended transition period is of particular importance to FBOs that are grappling with a myriad of regulatory changes impacting their swaps activities in the United States and other jurisdictions in which they operate. The precise contours of the regulatory framework for swaps activities is not yet clear, and therefore the most appropriate course of action is to provide for an adequate transition period as the framework continues to develop in the United States and internationally.

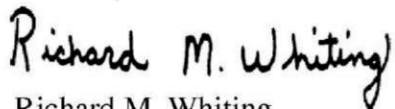
³ Letter from the Roundtable, to the OCC (Jan. 31, 2013), available at http://www.fsround.org/fsr/policy_issues/regulatory/pdfs/pdfs13/Letter--SwapsPushoutRule.pdf.

III. The Board Should Approve Submitted Requests as Promptly as Possible

We respectfully urge the Board to make every effort to respond to requests for a transition period as promptly as possible, even in cases where institutions have not been able to meet the staff's suggestion that such requests be submitted by July 2, 2013. We note that only a matter of weeks separates the publication of the Board's Interim Final Rule and the effective date of the Swaps Push-Out Rule. However, in light of the similarities of issues to be covered by each transition request, we hope an expedited review of each submission is feasible. In all cases, we urge the Board to provide FBOs and state member banks with as much advance notice as possible regarding their requests so that they may plan accordingly.

IV. Conclusion

We thank the Board for the opportunity to provide our comments on the Interim Final Rule. If you have any questions, please feel free to contact me or Richard Foster at (202) 589-2424.



Richard M. Whiting
Executive Director and General Counsel
The Financial Services Roundtable
202-589-2413
Rich@fsround.org

cc: Laurie Schaffer, Associate General Counsel, Federal Reserve Board
Christopher Paridon, Counsel, Federal Reserve Board
Christine Graham, Senior Attorney, Federal Reserve Board
Ellen Broadman, Director, Office of the Comptroller of the Currency
Ted Dowd, Assistant Director, Office of the Comptroller of the Currency
Roman Goldstein, Senior Attorney, Office of the Comptroller of the Currency