



**The Depository Trust &
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The Honorable Mary Schapiro
Chairman
U.S. Securities and Exchange Commission
100 F Street, N.E.
Washington, D.C. 20549

The Honorable Gary Gensler
Chairman
U.S. Commodity Futures Trading Commission
1155 21 Street, N.W.
Washington, D.C. 20581

Dear Chairmen Schapiro and Gensler,

The Depository Trust & Clearing Corporation (“DTCC”) appreciates the opportunity to submit to the U.S. Securities and Exchange Commission (“SEC”) and to the U.S. Commodity Futures Trading Commission (the “CFTC” and, collectively with the SEC, the “Commissions”) comments for your consideration as you begin to finalize the drafts of proposed rules relating to swap data repositories and security-based swap data repositories (collectively, “SDRs”). We appreciate the efforts of both Commissions to implement regulations under Title VII of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the “Dodd-Frank Act”), and we are supportive of steps taken to ensure that regulators have the necessary tools to provide oversight of over-the-counter (“OTC”) derivatives markets.

As you and your fellow Commissioners begin to discuss staff proposals for rules governing SDRs, DTCC offers the following comments for your consideration:

- **Swap Data Repository as Single Source for Regulators’ Market Data.** DTCC supports a regulatory framework that allows an SDR to provide regulators with a centralized vantage point in this global market to view accurate and complete information for each swap or security-based swap asset class in a timely manner. A registered SDR should be able to provide (i) enforcement agents with necessary information on trading activity; (ii) regulatory agencies with counterparty-specific information about systemic risk based on trading activity; (iii) aggregate trade information for publication on market-wide activity; and (iv) a framework for real-time reporting from swap execution facilities and derivatives clearinghouses.
- **Dodd-Frank Act Provides a Process for the Aggregation of Swap Data to Counter the Risks of Data Fragmentation - Including the Designation of a Particular Swap Data Repository to Serve in Such a Capacity.** The SDR sections in the Dodd-Frank Act include parallel provisions for swap data repositories and security-based swap data repositories that an SDR shall “provide direct electronic access to the Commission (or any designee of the Commission, including another

Subsidiaries:
The Depository Trust Company
National Securities Clearing Corporation
Fixed Income Clearing Corporation
DTCC Deriv/SERV LLC
DTCC Solutions LLC

registered entity).”¹ DTCC believes that this language permits both Commissions to designate one SDR as the recipient of the information of other SDRs to ensure the efficient consolidation of data. In order for this arrangement to exist under the forthcoming regulations, the rules should permit each Commission to recognize a single SDR (or one SDR per asset class) (the “Recognized SDR”) to receive and aggregate market information and provide regulators with one unified source for real-time electronic data. A Recognized SDR will provide complete and streamlined information to the regulators, reducing the strain on these agencies’ limited resources. The Recognized SDR must meet certain threshold requirements that ensure it has the necessary technological and substantive capabilities to perform its responsibilities as a Recognized SDR, as well as the organization and governance structure that is consistent with being a financial market utility serving a vital function to the entire marketplace.

- **Binding, Legal Electronic Records and Asset Servicing Vital for Market Oversight.** In order to maximize the value of an SDR and the vast data stored within it, it must maintain a legally binding electronic record which has been confirmed for accuracy by both counterparties. After each recorded transaction is consummated, the SDR can maintain the validity of the data for that transaction by offering an asset servicing function. This structure would allow the SDR to assist in systemic risk monitoring by providing regulators with regular reports analyzing the data (such as position limit violations or certain identified manipulative trading practices).
- **Conflicts of Interest Can Be Best Addressed through Governance Requirements.** DTCC strongly advocates that ownership and voting limitations for derivatives clearing organizations, security-based swap clearing agencies, designated contract markets, national securities exchanges, swap execution facilities and security-based swap execution facilities be eliminated in their entirety because proposed structural governance requirements sufficiently address the conflicts of interest identified by the Commissions. DTCC further urges the adoption of definitions of “parent” and “subsidiary” that align with proposed structural governance requirements and are consistent between both Commissions. If the Commissions were to reject this approach to defining the parent and subsidiary relationships, DTCC would request the approval of a waiver and general exemption by both Commissions, as contemplated by the CFTC’s proposed rule, from the ownership or voting limitations for itself and other user-owned and governed financial market utilities.
- **Indemnification Provisions Threaten Regulators’ Ability to Identify and Mitigate Systemic Risk.** Certain provisions of the Dodd-Frank Act require SDRs to make data available to federal and international regulatory agencies on a confidential basis. However, before the SDR is permitted to share the information with such regulators (the “Requesting Entity”), the SDR must receive a written agreement from the Requesting Entity, including any with which the SDR currently shares

¹ Commodity Exchange Act Section 21(c)(4)(A), as created by Dodd-Frank Act Sections 728, and Securities Exchange Act of 1934 Section 13(n)(5)(D)(i), as created by Dodd-Frank Act Section 763(i).

information, that: (i) the Requesting Entity will abide by confidentiality requirements regarding the provided information; and (ii) the Requesting Entity agrees to indemnify the SDR and regulating Commission for any expenses arising from litigation relating to the information. DTCC remains concerned that regulators are not likely to grant SDRs indemnification in exchange for access to the information and, accordingly, regulators may actually receive less aggregated market data. Such an outcome would result in a reduction of information accessible to regulators on a timely basis both domestically and internationally, which contravenes the purpose of SDRs and jeopardizes market stability. Without an alternative, upon implementation of these provisions, SDRs will be restricted from providing necessary market information to regulators. Until government agencies reach indemnification and confidentiality agreements with SDRs, a regulator's ability to carry out oversight functions will be greatly diminished.

We would like to thank both of you, your fellow Commissioners and the staffs at both agencies for being so willing to consider our opinions and for conducting an open and transparent rulemaking process.

We appreciate the opportunity to share these comments with you and are available to discuss with you and your staffs at any time. Should you wish to discuss these comments further, please contact me at 212-855-3240 or lthompson@dtcc.com.

Sincerely,



Larry E. Thompson
General Counsel

cc: Luis Aguilar, Commissioner, SEC
Kathleen Casey, Commissioner, SEC
Troy Paredes, Commissioner, SEC
Elisse Walter, Commissioner, SEC

Bart Chilton, Commissioner, CFTC
Michael Dunn, Commissioner, CFTC
Scott O'Malia, Commissioner, CFTC
Jill Sommers, Commissioner, CFTC