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- **17 CFR Part 240**
- **File No. S7-05-12**
- **Statement of General Policy on the Sequencing of the Compliance Dates for Final Rules Applicable to Security-Based Swaps Adopted Pursuant to the Securities Exchange Act of 1934 and the Dodd-Frank Wall Street Reform and Consumer Protection Act**

Dear Sir.

Thank you for giving us the opportunity to comment on your Statement of General Policy on the Sequencing of the Compliance Dates for Final Rules Applicable to Security-Based Swaps Adopted Pursuant to the Securities Exchange Act of 1934 and the Dodd-Frank Wall Street Reform and Consumer Protection Act. I would like to take this opportunity to suggest a very broad set of priorities for implementing Dodd-Frank, particularly as the proposed rules relate to the security-based swaps (SBS) market.<sup>1</sup>

I would recommend as a minimum that the required rules should be implemented in two broad phases. Phase 1 would implement, as a priority, conflicts of interest, antidisruptive practices, compliance, financial, risk and clearing rules and phase 2 would implement the rules on transparency. I believe that this two-phase approach compares favourably with your proposed sequencing of the compliance dates of final rules applicable to SBS. In particular there is a strong emphasis on prioritising the governance of the clearing requirements and processes. I fully agree with you that it “may be appropriate for the procedural rules related to mandatory clearing determinations to be adopted before the rules further defining the terms “swap,” “security-based swap,” “security-based swap agreement,” and “mixed swap” are adopted and/or effective or before the Cross-Border Rules are proposed.” The following describes my proposed two-phase approach in very broad terms.

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<sup>1</sup> These comments are similar to my comments for the CFTC’s Public Roundtable Discussion on Dodd-Frank Implementation.

## Phase 1

Preventing conflicts of interest and antidisruptive practices, promoting compliance and improving financial and risk structures/systems and processes would increase confidence in, and enhance the integrity of the SBS market. The following rules should be implemented first, as a priority. Rules which:

- 1) mitigate conflicts of interest in SBS entities
- 2) prevent fraud, manipulation or deception
- 3) promote compliance
- 4) impose mandatory clearing on clearable SBS contracts
- 5) increase financial and risk oversight and risk-absorbing resources of SBS entities
- 6) implement administration requirements such as registration of SBS entities.

The proposed rules in phase 1 above contain a mixture of structural and procedural, or governance and technical features. This complementary mix of requirements will act to alleviate the regulatory and resource burden required to implement all of these rules within a reasonable timeframe.

## Phase 2

Improving transparency in the SBS market is a key part of Dodd-Frank. In this context transparency refers to both pre-trade and post-trade transparency. Improving transparency will enhance price discovery and liquidity and promote market integrity. The proposed rules will also improve regulatory oversight of the SBS market, improve monitoring and allow the SEC to better measure and monitor systemic risk. Therefore the following rules should be implemented as the second priority. Rules which:

- 1) impose mandatory trade execution requirements on clearable SBS contracts
- 2) create real-time reporting regimes
- 3) create robust recordkeeping requirements
- 4) improve documentation, workflows and other administrative requirements.

The proposed rules in phase 2 will build on the progress achieved in phase 1. I would suggest that the SEC should set stress timelines for entities to implement both phase 1 and phase 2. I would not support that any such prioritisation or hypothecation of the proposed rules (sequencing of compliance dates) could be used as a means or a reason to arbitrarily extend regulatory deadlines for implementing Dodd-Frank.

Yours faithfully

C.R.B.

Chris Barnard