COMMODITY FUTURES TRADING COMMISSION

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-63423; File No. 4- 620]

Acceptance of Public Submissions on a Study Mandated by the Dodd-Frank Wall Street Reform and Consumer Protection Act, Section 719(b)

AGENCIES: Commodity Futures Trading Commission; Securities and Exchange Commission.

ACTION: Request for Comments.

SUMMARY: The Dodd-Frank Wall Street Reform and Consumer Protection Act ("Dodd-Frank Act") was enacted on July 21, 2010. The Dodd-Frank Act, among other things, mandates that the Commodity Futures Trading Commission ("CFTC") and the Securities and Exchange Commission ("SEC") conduct a study on "the feasibility of requiring the derivatives industry to adopt standardized computer-readable algorithmic descriptions which may be used to describe complex and standardized financial derivatives." These algorithmic descriptions should be designed to "facilitate computerized analysis of individual derivative contracts and to calculate net exposures to complex derivatives." The study also must consider the extent to which the algorithmic description, "together with standardized and extensible legal definitions, may serve as the binding legal definition of derivative contracts." In connection with this study, the staff of the CFTC and SEC seek responses of interested parties to the questions set forth below.

DATES: The CFTC will accept submissions on behalf of both agencies in response to the questions through December 31, 2010.

ADDRESSES: You may submit responses to the CFTC, identified in the subject line with "algorithmic study" by any of the following methods:

• CFTC Agency web site, www.cftc.gov, via its Comments Online process at http://comments.cftc.gov. Follow the instructions for submitting comments through the web site.

• Mail: David A. Stawick, Secretary of the Commission, Commodity Futures Trading Commission, Three Lafayette Centre, 1155 21st Street, NW., Washington, DC 20581.

• Hand Delivery/Courier: Same as mail above.

Please submit your comments using only one method.

All comments must be submitted in English, or if not, accompanied by an English translation. Comments will be posted as received to www.cftc.gov and www.sec.gov. You should submit only information that you wish to make available publicly. If you wish the CFTC to consider information that you believe is exempt from disclosure under the Freedom of Information Act, a petition for confidential treatment of the exempt information may be submitted according to the procedures established in CFTC Regulation 145.9, 17 CFR 145.9.

The CFTC and the SEC reserve the right, but shall have no obligation, to review, pre-screen, filter, redact, refuse or remove any or all of your submission from www.cftc.gov and www.sec.gov that they may deem to be inappropriate for publication,

such as obscene language. All submissions that have been redacted or removed that
contain comments may be accessible under the Freedom of Information Act.

FOR FURTHER INFORMATION CONTACT: Nancy R. Doyle, Office of the
General Counsel, Commodity Futures Trading Commission, Three Lafayette Centre,
1155 21st Street, NW., Washington, DC 20581, telephone: (202) 418-5136, or Matthew
P. Reed, Division of Risk, Strategy, and Financial Innovation, Securities and Exchange
Commission, 100 F Street, NE, Washington DC 20549-[mail stop], telephone (202) 551-
2607.

SUPPLEMENTARY INFORMATION:

On July 21, 2010, The Dodd-Frank Wall Street Reform and Consumer Protection
Act ("Dodd-Frank Act"), Public Law 111-203, was enacted.

Pursuant to Title VII, Sec. 719(b) of Dodd-Frank, the Commodity Futures
Trading Commission with the Securities and Exchange Commission, jointly, must report
to Congress by March of 2011 on "the feasibility of requiring the derivatives industry to
adopt standardized computer-readable algorithmic descriptions which may be used to
describe complex and standardized financial derivatives." These algorithmic descriptions
should be designed to "facilitate computerized analysis of individual derivative contracts
and to calculate net exposures to complex derivatives." The study also must consider
whether a combination of these algorithmic descriptions and "standardized and extensible
legal definitions[ ] may serve as the binding legal definition of derivative contracts."

A copy of the text of the statute calling for this study may be found here:
http://www.dodd-frank-act.us/Dodd_Frank_Act_Text_Section_719.html.

In furtherance of this report, we seek responses to the following questions. Please note that responses may be made public, and may be cited in this report. Questions relate to the current use of standardized computer-readable descriptions for both data storage and messaging, and to the usefulness and cost of any transition to a universal standard for messaging and data storage. Responders are encouraged to provide any additional relevant information beyond that called for by these questions.

Calculation of "Net Exposures to Complex Derivatives" and other "Computerized Analysis":

1. How would your organization or community define "net exposures to complex derivatives?"

2. Do you calculate net exposures to complex derivatives?

3. What data do you require to calculate net exposures to complex derivatives? Does it depend on the derivatives instrument type? How?

4. Are there any difficulties associated with your ability to gather the data needed to calculate net exposures to complex derivatives? What are they?

5. What other analyses do you currently perform on derivatives agreements? What kinds of analyses would you like to perform, and how could regulators and standards setters make those analyses possible?

6. How often do you perform net exposure calculations at the level of your organization? Is it continuous and real time, only for periodic external reporting, or some frequency in between?

Current practices concerning standardized computer descriptions of derivatives:

7. Do you rely on a discrete set of computer-readable descriptions ("ontologies") to define and describe derivatives transactions and positions? If yes, what computer language do you use?

8. If you use one or more ontologies to define derivatives transactions and positions, are they proprietary or open to the public? Are they used by your counterparties and others in the derivatives industry?

9. How do you maintain and extend the ontologies that you use to define derivatives data to cover new financial derivative products? How frequently are new terms, concepts and definitions added?

10. What is the scope and variety of derivatives and their positions covered by the ontologies that you use? What do they describe well, and what are their limitations?

11. How do you think any limitations to the ontologies you use to describe derivatives can be overcome?

12. Are these ontologies able to describe derivatives transactions in sufficient detail to enable you to calculate net exposures to complex derivatives?

13. Are these ontologies able to describe derivatives transactions in sufficient detail to enable you to perform other analysis? What types of analysis can you conduct with this data, and what additional data must be captured to perform this analysis?

14. Which identifier regimes, if any, do you use to identify counterparties, financial instruments, and other entities as part of derivatives contract analysis?

Current use of standardized computer readable descriptions for messaging of derivatives transactions:

15. Which computer language or message standard do you currently use to create and communicate your messages for derivatives transactions?

16. Is there a difference between the created message and the communicated message? For example, does your internally archived version of the message contain proprietary fields or data that are removed when it is communicated to counterparties or clearing houses?

17. Are different messaging standards used to describe different contracts, counterparties, and transactions?

18. How and where are the messages stored, and do the messages capture different information from that information stored in internal systems?

19. What information is currently communicated, by and to whom, and for what purposes?

20. For lifecycle event messages (e.g., credit events, changes of party names or identifiers), are there extant messaging standards that can update data relating to derivatives contracts that are stored in data repositories?

21. What other standards (i.e., FpML, FIX, etc.) related to derivatives transactions does your organization or community use, and for what purposes? Has your implementation of these standards had any effect on the way your business is conducted (e.g., does it reduce misunderstanding of contract terms, has it increased the frequency or ease of trades).

22. Is the data represented by this/these messaging standard(s) complete enough to calculate net exposures to complex derivatives? What additional information would need to be represented?

23. In general, to what extent are XML-based languages able to describe a derivatives contract for further analysis? To what extent is other technology needed to provide a full description?

24. What other analysis can be conducted with this data? What additional information should be captured?

25. Do you have plans to change your messaging schemes/formats in the near future?

26. Are there identifier regimes widely used in the derivatives market for identifying counterparties, financial instruments, and other entities in messaging?

The need for standardized computer descriptions of derivatives*:*

27. Would there be a benefit to standardizing computer readable descriptions of financial derivatives? What about standardization for a certain class/type of financial derivatives (i.e., CDS versus interest rate, or plain vanilla versus complex)?

28. What would be the issues, costs and concerns associated with standardizing computer readable descriptions of financial derivatives? Are there existing standards that could or should be expanded (i.e., FpML, FIX, etc.)? Do the existing standards in this area have materially different costs or issues?

29. What would be an ideal ontology for you in terms of design, implementation, and maintenance of the data sets and applications needed for your business?

30. How would a standardized computer readable description of financial derivatives be developed and maintained (i.e., a government-sponsored initiative, a public-private partnership, standard-setting by a collaborative process, etc.)? Are there current models that should be considered?

31. What is the importance of ontologies for the representation of derivatives data now

and in the future?

Implementation:

32. Have you ever implemented a transition to a new data ontology, data messaging

standard, or internal data standard?

33. If yes, how did the perceived and actual benefits compare to estimated and actual

costs over the short- and long-run?

34. What were the main difficulties that you experienced during a

transition/implementation of new data standards? What could the organization

developing and maintaining the standards do (or avoid) to help alleviate these

difficulties?

35. Would it be useful to use a standardized, computer readable description for financial

derivatives instruments? How would it be useful? Would such a standard be useful

for communicating transactions, storing position information, both, or other

purposes? What would be the costs involved?

36. How should regulators and standard setters implement description standards in the

derivatives market?

Making computer descriptions legally binding:

37. Are there currently aspects of financial derivatives messaged in a computer readable

format that have a legally-binding effect?

38. What information, if any, is not captured that would be required to make the

computer descriptions themselves, without reference to other materials, legally

binding?

39. What information would need to be captured for a legally binding contract that would not need to be captured for analyzing the contract? Is there a substantial cost differential between the processes needed to capture one set of information versus another?

40. Would there be a benefit to making the computer readable descriptions of financial derivatives legally binding? Would there be drawbacks? What are they?

Other*:*

41. Is there other information not called for by these questions that we should consider?

By the CFTC.

David Stawick
Secretary of the Commission

By the Commission (SEC).

Elizabeth M. Murphy
Secretary

December 2, 2010