ISDA Safe, Efficient Markets

March 5, 2024

Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue NW
Washington, DC 20551

Federal Deposit Insurance Corporation
550 17th Street NW
Washington, DC 20429

Office of the Comptroller of the Currency
400 7th Street SW
Washington, DC 20219

Re: SLR Reform – U.S. Treasuries

Dear Sir/Madam,

The International Swaps and Derivatives Association, Inc. ("**ISDA**") is writing to the Board of Governors of the Federal Reserve System (the "**Federal Reserve**"), the Federal Deposit Insurance Corporation (the "**FDIC**") and the Office of the Comptroller of the Currency (the "**OCC**" and, collectively with the FDIC and the Federal Reserve, the "**Agencies**") to urge the Agencies to implement targeted reforms to the supplementary leverage ratio (the "**SLR**") and enhanced supplementary leverage ratio ("**eSLR**") framework[1] and risk-based surcharge for global systemically important bank holding companies (the "**GSIB surcharge**") that are important to preserve the resilience of the U.S. Treasury markets and the U.S. economy and financial system more broadly.

To facilitate participation by banks[2] in U.S. Treasury markets—including clearing U.S. Treasury security transactions for clients—the Agencies should revise the SLR to permanently exclude on-balance sheet U.S. Treasuries from total leverage exposure, consistent with the scope of the temporary exclusion for U.S. Treasuries that the Agencies implemented in 2020.[3] This exclusion

[1] As discussed in Section II, because total leverage exposure is the denominator for both the SLR and the eSLR, the proposed exclusion from total leverage exposure for on-balance sheet U.S. Treasuries would affect both the SLR and the eSLR.

[2] The term "bank" refers to U.S. bank holding companies, U.S. intermediate holding companies ("**IHCs**") of foreign banking organizations and other entities subject to the U.S. bank regulatory capital rules.

[3] Federal Reserve, *Regulatory Capital Rule: Temporary Exclusion of U.S. Treasury Securities and Deposits at Federal Reserve Banks from the Supplementary Leverage Ratio*, 85 Fed. Reg. 20,578 (Apr. 14, 2020); FDIC, Federal Reserve, OCC, *Regulatory Capital Rule: Temporary Exclusion of U.S. Treasury Securities and Deposits at Federal Reserve Banks From the Supplementary Leverage Ratio for Depository Institutions*, 85 Fed. Reg. 32,980, 32,982 (June 1, 2020) ("For example, depository institutions would be able to exclude temporarily on-balance sheet Treasuries that they hold, including Treasuries that they have borrowed and re-pledged in a repo-style transaction, provided such Treasuries are included in the depository institution's total leverage exposure prior to the effect of the exclusion."). Similar policy

would cover on-balance sheet U.S. Treasuries that a bank holds in inventory or as part of its liquidity portfolio, as well as U.S. Treasuries the bank has received in a repo-style transaction to the extent the bank records the U.S. Treasuries on its balance sheet.[4] For similar reasons, the "size" systemic indicator determined in Schedule A of the FR Y-15 and reflected in the GSIB surcharge calculation should be revised to exclude on-balance sheet U.S. Treasuries.

A permanent exclusion would better promote the stability and resilience of the U.S. Treasury market than the current framework, which has required adjustments during periods of significant market stress. More broadly, an exclusion would help support market liquidity in the context of projected increases in the size of the U.S. Treasury market and the importance of bank participation in the market.[5]

The Agencies generally did not address the U.S. SLR framework in the recent proposals to substantially revise the U.S. capital framework applicable to large banks.[6] However, given the significance of the SLR to bank participation in the Treasury market, it is essential that the Agencies consider the effects of the SLR on market liquidity, including in the context of the Proposals and other market reforms.[7] It is important that banks have capacity to absorb a

---

rationales apply with respect to excluding U.S. Treasury securities from the denominator of the Tier 1 leverage ratio provided in Section 10(b)(4) of the U.S. capital rules, although we recognize that an exclusion under the Tier 1 leverage ratio raises considerations under the "Collins Amendment." 12 U.S.C. § 5371.

[4] As discussed in this letter, the proposed exclusion of U.S. Treasury securities is a targeted approach to promoting the liquidity and resiliency of the U.S. Treasury markets, but there are other potential revisions to the risk-based capital and leverage framework—including recalibrating the SLR and eSLR—that could also advance these objectives.

[5] This letter addresses the SLR and GSIB surcharge treatment of U.S. Treasury securities—and not other types of sovereign securities—given that U.S. Treasury securities are the sovereign securities most relevant to the U.S. market and U.S. banks. There may be similar considerations for non-U.S. sovereign securities with respect to the regulatory capital frameworks particularly in non-U.S. jurisdictions, given that there are other sovereigns that do not present credit risk (as reflected in the zero percent risk weights assigned to those sovereigns). Those considerations are beyond the scope of this letter, which is focused on improving liquidity and resiliency in the U.S. Treasury market. Relatedly, although we have previously recommended that central bank deposits be excluded from the leverage ratio, and the Agencies' temporary exclusions did address Reserve Bank balances, this letter focuses on Treasury market liquidity and resiliency.

[6] FDIC, Federal Reserve, OCC, *Regulatory Capital Rule: Large Banking Organizations and Banking Organizations With Significant Trading Activity*, 88 Fed. Reg. 64,028 (Sept. 18, 2023) ("**Basel III Endgame Proposal**"); Federal Reserve, *Regulatory Capital Rule: Risk-Based Capital Surcharges for Global Systemically Important Bank Holding Companies; Systemic Risk Report (FR Y-15)*, 88 Fed. Reg. 60,385 (Sept. 1, 2023) ("**GSIB Surcharge Proposal**" and, together with the Basel III Endgame Proposal, the "**Proposals**"). The Basel III Endgame Proposal would address the SLR framework by applying the SLR to Category IV banks and by requiring Category III and Category IV banks to use the standardized approach for counterparty credit risk in calculating total leverage exposure. The application of the SLR to Category IV banks is notable given that certain primary dealers are subsidiaries of Category IV IHCs.

[7] See, e.g., U.S. Securities and Exchange Commission ("**SEC**"), *Standards for Covered Clearing Agencies for U.S. Treasury Securities and Application of the Broker-Dealer Customer Protection Rule With Respect to U.S. Treasury Securities*, 89 Fed. Reg. 2,714 (Jan. 16, 2024), *available at*

continued high volume of U.S. Treasury issuance, with the market projected to grow to exceed $35 trillion in the next five years,[8] as well as to facilitate access to cleared U.S. Treasury markets (including cash as well as repurchase and reverse repurchase transactions (together, "**repos**")) and related derivatives markets.

I. Introduction

ISDA and its members strongly support the development of a capital framework that promotes the safety and soundness of banks and the safety and efficiency of capital markets. Market liquidity is central to the safety and efficiency of markets. Bank involvement in these markets, in turn, is critical to market liquidity.

The $26 trillion U.S. Treasury market[9] is the deepest and most liquid market in the world.[10] As noted by Federal Reserve Vice Chair for Supervision Barr recently, the U.S. Treasury market is important to both the public and the Federal Reserve in light of its roles in financing the U.S. Government, pricing assets, transmitting monetary policy and providing reserve assets.[11]

Banks play critical roles in all segments of the U.S. Treasury market. Specifically, banks act as primary dealers participating in auctions of new U.S. Treasury issuances,[12] serve as trading counterparties to the FRBNY and act as market intermediaries with banks and non-banks, including with respect to cash transactions and repos.[13] These intermediation activities also encompass providing access to cleared U.S. Treasury markets for clients by acting as sponsors or

---

https://www.govinfo.gov/content/pkg/FR-2024-01-16/pdf/2023-27860.pdf ("**SEC Treasury Clearing Final Rule**").

[8] Congressional Budget Office, *The 2023 Long-Term Budget Outlook* (June 2023), *available at* https://www.cbo.gov/publication/59331.

[9] U.S. Treasury, *U.S. Treasury Monthly Statement of the Public Debt* (last updated Jan. 5, 2024), *available at* https://fiscaldata.treasury.gov/datasets/monthly-statement-public-debt/summary-of-treasury-securities-outstanding.

[10] U.S. Department of the Treasury, Federal Reserve, Federal Reserve Bank of New York ("**FRBNY**"), SEC, U.S. Commodity Futures Trading Commission ("**CFTC**"), *Enhancing the Resilience of the U.S. Treasury Market: 2023 Staff Progress Report*, p. 1 (Nov. 6, 2023), *available at* https://home.treasury.gov/system/files/136/20231106_IAWG_report.pdf ("**IAWG 2023 Report**").

[11] Michael S. Barr, *Remarks at the 2023 U.S. Treasury Market Conference* (Nov. 16, 2023), *available at* https://www.federalreserve.gov/newsevents/speech/files/barr20231116a.pdf. Federal Reserve Vice Chair Jefferson and SEC Chair Gensler have also recently emphasized the importance of U.S. Treasury market liquidity and efficiency. Philip N. Jefferson, *Opening Remarks at the 18th Central Bank Conference on the Microstructure of Financial Markets* (Oct. 19, 2023), *available at* https://www.federalreserve.gov/newsevents/speech/files/jefferson20231019a.pdf; Gary Gensler, *Fall Feelings: Treasury Markets' Efficiency and Resilience Remarks before SIFMA* (Nov. 7, 2023), *available at* https://www.sec.gov/news/speech/gensler-fall-feelings-20231107.

[12] A list of FRBNY primary dealers is available on the FRBNY's website. FRBNY, *Primary Dealers*, *available at* https://www.newyorkfed.org/markets/primarydealers.

[13] U.S. Department of the Treasury, Federal Reserve, FRBNY, SEC, CFTC, *Recent Disruptions and Potential Reforms in the U.S. Treasury Market: A Staff Progress Report*, p. 1 (Nov. 8, 2021), *available at* https://www.sec.gov/files/iawg-treasury-report.pdf ("**IAWG 2021 Report**").

agents for clients, including via the Government Securities Division of the Fixed Income Clearing Corporation ("**FICC**").[14]

II. SLR, GSIB Surcharge and Bank Intermediation in U.S. Treasury Markets

The SLR is the ratio of tier 1 capital to total leverage exposure.[15] The SLR currently applies to Category I through Category III banks;[16] the Basel III Endgame Proposal would expand the minimum SLR requirement to Category IV banks.[17]

The minimum SLR requirement is 3 percent.[18] Additionally, U.S. GSIBs are subject to a leverage buffer requirement of an additional 2 percent, for a total SLR requirement of 5 percent, broadly referred to as the eSLR.[19] Insured depository institution subsidiaries of GSIBs must have an SLR of 6 percent to be considered "well capitalized" under the prompt corrective action framework.[20] U.S. bank capital requirements apply on a consolidated basis such that, like other regulatory capital requirements, the SLR applies both directly to insured depository institutions and bank holding companies and indirectly to their broker-dealer and other subsidiaries.[21]

U.S. GSIBs also are subject to the GSIB surcharge, a risk-based capital surcharge that is equal to the greater of the Method 1 and Method 2 surcharges[22] and is reflected in each U.S. GSIB's capital conservation buffer requirements.[23] A U.S. GSIB's Method 1 and Method 2 scores are based on the calculations of specified systemic indicators, including size, as determined on the FR Y-15.[24]

Capital requirements can constrain the capacity of banks to participate in the U.S. Treasury market. In particular, the SLR framework under the U.S. regulatory capital rules, including the eSLR applicable to U.S. GSIBs, may be significant in determining a bank's capacity to intermediate market activity, including providing liquidity and facilitating access to cleared

---

[14] A description of FICC's Sponsored Service is provided in the SEC Treasury Clearing Final Rule. 89 Fed. Reg. 2,714. FICC also is expected to expand its agency clearing models, which may occur in connection with amendments to its rulebook required under the SEC Treasury Clearing Final Rule.

[15] Section 10(c)(1) of the U.S. capital rules.

[16] Section 10(c)(1) of the U.S. capital rules.

[17] Section 10(c)(1) of the Basel III Endgame Proposal.

[18] Section 10(a)(1)(v) of the U.S. capital rules.

[19] Section 11(c)(4) of the U.S. capital rules.

[20] 12 C.F.R. § 6.4(b)(1)(i)(D)(2), § 208.43(b)(1)(i)(D)(2), § 324.403(b)(1)(ii).

[21] The denominator for the SLR ratios described in this paragraph—the minimum SLR requirement, the eSLR and the SLR for purposes of the prompt corrective action framework—is the same.

[22] 12 C.F.R. § 217.403(a).

[23] 12 C.F.R. § 217.11(c)(1)(iii).

[24] 12 C.F.R. § 217.404 (Method 1), § 217.405 (Method 2).

ISDA Safe, Efficient Markets

markets.[25] This is particularly the case for instruments—such as U.S. Treasury securities—that are treated as not being subject to any credit risk and for activities that are fundamentally a low-margin business.

Indeed, current and former regulators,[26] academics[27] and Federal Reserve economists,[28] as well as the Federal Reserve itself,[29] have recognized that the SLR, in certain circumstances, may constrain the participation of banks in U.S. Treasury markets. Early in the COVID-19 pandemic, the Federal Reserve observed that, "[l]arge holding companies have cited balance sheet constraints for their broker-dealer subsidiaries as an obstacle to supporting the Treasury market."[30] Because Treasury intermediation activities are high volume and low margin, these activities are "more sensitive to the SLR constraint than lending and other banking activities."[31]

---

[25] In this regard, although there may have been an expectation when the SLR framework was finalized that future reductions in the size of the Federal Reserve's balance sheet would mitigate the potential effects of the SLR, the Federal Reserve's balance sheet has expanded considerably since April 2014—from approximately $4 trillion to over $7 trillion in January 2024. Federal Reserve, *Transcript of Open Board Meeting* (Apr. 8, 2014), *available at* https://www.federalreserve.gov/mediacenter/files/open-board-meeting-transcript-20140409.pdf ("Moreover, the impact on reserve demand in the longer run is likely to be modest because the higher leverage ratio standard would apply only to the largest U.S. banks. The level of reserve balances will be lower in the future as the size of the Federal Reserve's balance sheet is reduced, and banks will adjust their balance sheets to the new standard. Of course, the level of reserve balances currently is very high as a result of the large-scale asset purchases and the federal funds rate is at its effective lower bound. Holding constant the amount of reserve balances and the rate of interest paid on those balances, a shift to a more binding leverage ratio, should tend to reduce short-term money market rates somewhat but would have little implication for monetary policy."). For information regarding the total assets of the Federal Reserve, see Federal Reserve Bank of St. Louis, *FRED Economic Data*, *available at* https://fred.stlouisfed.org/.

[26] Jerome H. Powell, *Central Clearing and Liquidity* (June 23, 2017), *available at* https://www.federalreserve.gov/newsevents/speech/files/powell20170623a.pdf; Daniel K. Tarullo, *Capital Regulation and the Treasury Market* (Mar. 2023), *available at* https://www.brookings.edu/wp-content/uploads/2023/03/Brookings-Tarullo-Capital-Regulation-and-Treasuries_3.17.23.pdf. SEC Commissioner Uyeda also recently referenced the SLR as a constraint with respect to U.S. Treasury markets in the context of a recent SEC final rule. Mark T. Uyeda, *Statement on Further Definition of "As a Part of a Regular Business" in the Definition of Dealer* (Feb. 6, 2024), *available at* https://www.sec.gov/news/statement/uyeda-statement-dealer-trader-020624 (noting that "primary dealer balance sheets have stayed flat and are constrained by the supplemental leverage ratio" notwithstanding increases in total outstanding public debt in the United States).

[27] Darrell Duffie, *Resilience redux in the US Treasury market*, p. 4 (Aug. 13, 2023), *available at* https://www.kansascityfed.org/Jackson%20Hole/documents/9726/JH_Paper_Duffie.pdf.

[28] Paul Cochran *et. al*, *Dealers' Treasury Market Intermediation and the Supplementary Leverage Ratio* (Aug. 3, 2023), *available at* https://www.federalreserve.gov/econres/notes/feds-notes/dealers-treasury-market-intermediation-and-the-supplementary-leverage-ratio-20230803.html.

[29] Federal Reserve, *Temporary Exclusion of U.S. Treasury Securities and Deposits at Federal Reserve Banks from the Supplementary Leverage Ratio*, 85 Fed. Reg. 20,578 (Apr. 14, 2020), *available at* https://www.govinfo.gov/content/pkg/FR-2020-04-14/pdf/2020-07345.pdf.

[30] 85 Fed. Reg. at 20,580.

[31] Paul Cochran *et. al*, *Dealers' Treasury Market Intermediation and the Supplementary Leverage Ratio* (Aug. 3, 2023), *available at* https://www.federalreserve.gov/econres/notes/feds-notes/dealers-treasury-market-intermediation-and-the-supplementary-leverage-ratio-20230803.html.

The IAWG 2021 Report also noted that the SLR may be a factor "motivating banking organizations to dedicate capital to higher-margin businesses and limiting the amount and flexibility of bank and bank-affiliated broker-dealer balance sheets dedicated to low-margin businesses, such as many forms of Treasury market intermediation."[32]

More broadly, banks generally allocate balance sheet capacity to various businesses and activities through a rigorous process that takes into account near-, medium- and longer-term opportunities and constraints (including both minimum and buffer requirements—inclusive of the GSIB surcharge—under the bank regulatory capital rules),[33] as well as the capital requirements attributable to a particular activity and broader risk management considerations. Accordingly, even if the SLR or the eSLR is not the binding constraint for a bank on a consolidated basis in ordinary market circumstances, the SLR or eSLR could be binding with respect to a particular activity, such as U.S. Treasury market intermediation, or could be binding for a bank on a consolidated basis during periods of stress.[34]

Relatedly, it is critical for the Agencies to consider the interplay between the broader risk-based capital and leverage framework and bank participation in cleared markets in light of the Basel III Endgame Proposal, the GSIB Surcharge Proposal and other market reforms. In this regard, Federal Reserve Chair Powell has recognized the importance of enhancing central clearing as a key regulatory reform following the Global Financial Crisis.[35] As reflected in the joint comment letters prepared by ISDA and the Securities Industry and Financial Markets Association ("**SIFMA**") regarding the Proposals, the aggregate capital requirements directly attributable to the clearing businesses of U.S. GSIBs are estimated to increase by over 80 percent.[36] The SLR

---

32 IAWG 2021 Report at p. 5. The IAWG 2021 Report further noted that, "[e]ven when the demand for intermediation in the Treasury market has spiked and potential profits from intermediation have risen, bank and bank-affiliated broker-dealers sometimes have not meaningfully expanded their balance sheets in aggregate to meet the increase in demand."

33 See, e.g., Basel Committee, *Buffer usability and cyclicality in the Basel framework*, p. 4 (Oct. 2022), *available at* https://www.bis.org/bcbs/publ/d542.pdf (noting that "several studies, including the July 2021 [Basel Committee on Banking Supervision] report and a report published by the [Financial Stability Board] in October 2021, have found some indications of hesitancy by banks to dip into their capital buffers. These studies noted that the potential reluctance to use capital buffers may reflect banks' uncertainty about future losses, capital distribution constraints or the market stigma that a bank might face if it were to operate within its buffers.").

34 Federal Reserve Vice Chair for Supervision Barr recently noted that, "[s]ome have argued that when banks are close to the eSLR as a binding constraint that it has reduced Treasury market intermediation" and that, as a result of the Basel III Endgame Proposal, "the eSLR generally would not act as the binding constraint at the holding company level, where Treasury intermediation occurs." Michael S. Barr, *Holistic Capital Review* (July 10, 2023), *available at* https://www.federalreserve.gov/newsevents/speech/barr20230710a.htm.

35 Jerome H. Powell, *Central Clearing and Liquidity* (June 23, 2017), *available at* https://www.federalreserve.gov/newsevents/speech/files/powell20170623a.pdf.

36 In connection with the Basel III Endgame Proposal, see the comment letter from ISDA and SIFMA, *available at* https://www.isda.org/a/1ElgE/ISDA-and-SIFMA-Response-to-US-Basel-III-NPR.pdf; in connection with the GSIB Surcharge Proposal, see the comment letter from ISDA and SIFMA, *available at*

has in particular been cited as a contributing factor in the decrease in the number of futures commission merchants ("**FCMs**"), including bank FCMs.[37] Accordingly, it is important for the Agencies to consider the effects of the Proposals, the SLR and the GSIB surcharge on cleared markets to avoid further limiting the ability of banks to expand their balance sheets to provide clearing services, act as market makers or otherwise intermediate market activity, especially during periods of stress.

An exclusion for U.S. Treasuries from the SLR and GSIB surcharge would provide more capacity for banks to expand their balance sheets and provide liquidity during times of stress.[38] There are significant benefits to bank participation in these markets given that banks are highly capitalized, have sophisticated risk management processes and are subject to comprehensive prudential regulation and supervision.[39]

III. Recommended Permanent Exclusion of U.S. Treasuries from the SLR Denominator and Size Indicator of the GSIB Surcharge

Accordingly, a permanent exclusion of on-balance sheet U.S. Treasuries from total leverage exposure in the SLR and eSLR calculations—and related revisions to Schedule A of the FR Y-15

https://www.isda.org/a/cElgE/ISDA-and-SIFMA-Response-to-G-SIB-Surcharge-Framework-Consultation.pdf.

37 See, e.g., J. Christopher Giancarlo, *Changing Swaps Trading Liquidity, Market Fragmentation and Regulatory Comity in Post-Reform Global Swaps Markets* (May 10, 2017), *available at* https://www.cftc.gov/PressRoom/SpeechesTestimony/opagiancarlo-22.

38 See, e.g., Lorie K. Logan, *The Federal Reserve's Recent Actions to Support the Flow of Credit to Households and Businesses* (Apr. 14, 2020), *available at* https://www.newyorkfed.org/newsevents/speeches/2020/log200414 ("First, amid large moves in asset prices and uncertainty about access to liquidity, many investors sought to sell bond holdings. Some of these investors, such as asset managers that might need to meet redemptions, were seeking to raise cash. Others were rebalancing their portfolios after the sharp fall in equity prices, or exiting positions that were no longer viable in the highly volatile market conditions. These large sales of bonds drove up dealers' inventories of Treasuries and MBS; facing balance sheet constraints and internal risk limits amid the elevated volatility, dealers had to cut back on intermediation. Second, volatile market conditions led some trading firms to step back from the market, further reducing liquidity.").

39 A recent Federal Reserve research note on dealers' Treasury market intermediation and the SLR concluded that, "[o]verall, our inspection during the *temporary* exclusions of Treasury securities and reserves from TLE between April 2020 and March 2021 does not show a noticeable effect on the big six dealers' Treasury intermediation, including direct holdings of Treasuries and SFTs backed by Treasuries." Paul Cochran *et. al*, *Dealers' Treasury Market Intermediation and the Supplementary Leverage Ratio* (Aug. 3, 2023), *available at* https://www.federalreserve.gov/econres/notes/feds-notes/dealers-treasury-market-intermediation-and-the-supplementary-leverage-ratio-20230803.html (emphasis added). This research note addressed the impact of *temporary* exclusions that, by their terms, would apply for only one year and did not indicate that bank intermediation activity in the Treasury market is unconstrained by the SLR. Indeed, the temporary exclusion could have prevented a decline in bank participation in Treasury markets even if the exclusion did not result in a noticeable increase. Banks would not significantly expand or contract the size of their balance sheets or the extent of their activities on the basis of a temporary change in capital requirements, such as the one-year temporary exclusion that was the subject of the research note.

to reflect this exclusion for purposes of the GSIB surcharge—would be in the public interest to promote the resilience of the U.S. Treasury market.

The temporary exclusion implemented in 2020 in response to the COVID-19 pandemic reflects that the current SLR framework is not appropriately designed for periods of significant market stress. A regulatory capital framework with a permanent exclusion for on-balance sheet U.S. Treasuries would better promote a stable, liquid and resilient Treasury market than a framework that must be adjusted during times of stress and, accordingly, introduces uncertainty for allocating balance sheet capacity. Additionally, as described above, each of the SLR and the GSIB surcharge may constrain the capacity of banks to participate both in U.S. Treasury markets as well as cleared markets more broadly. Excluding on-balance sheet U.S. Treasury securities from total leverage exposure and the GSIB surcharge would create additional capacity for banks to participate in U.S. Treasury markets and facilitate access to cleared markets.

ISDA Safe, Efficient Markets

Conclusion

ISDA is strongly committed to maintaining the safety and efficiency of U.S. financial markets and hopes the Agencies implement our recommendations, which reflect the extensive knowledge and experience of market professionals within ISDA and our members. Our recommendations are designed to strengthen the resilience of the U.S. financial markets and mitigate the adverse consequences of the SLR and the GSIB surcharge on financial markets, consumers, end users and the economy more generally. Please contact Lisa Galletta at lgalletta@isda.org or (917) 624-3411 if you wish to discuss the points raised in this letter further.

Very truly yours,

Scott O'Malia
Chief Executive Officer
International Swaps and Derivatives
Association, Inc.

ISDA Safe, Efficient Markets

About ISDA

Since 1985, ISDA has worked to make the global derivatives markets safer and more efficient. Today, ISDA has over 1,000 member institutions from 77 countries. These members comprise a broad range of derivatives market participants, including corporations, investment managers, government and supranational entities, insurance companies, energy and commodities firms, and international and regional banks. In addition to market participants, members also include key components of the derivatives market infrastructure, such as exchanges, intermediaries, clearing houses and repositories, as well as law firms, accounting firms and other service providers. Information about ISDA and its activities is available on ISDA's website: www.isda.org.