THOMSON REUTERS

February 7, 2011

VIA ELECTRONIC FILING

Mr. David A. Stawick
Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st Street, NW
Washington, DC 20581

Re: Swap Data Recordkeeping & Reporting Requirements; **RIN 3038-AD19**

Thomson Reuters welcomes the invitation to submit comments to the Commodity Futures Trading Commission ("CFTC") on the proposed rule establishing swap data recordkeeping and reporting requirements, published December 8, 2010. Thomson Reuters supports the CFTC's efforts to implement Title VII of the Dodd-Frank Wall Street Reform and Consumer Protection Act ("Dodd-Frank"), generally, and to improve market transparency and reduce systemic risk. Thomson Reuters believes the CFTC should be promoting competition across markets, and that its recordkeeping and reporting regulations should allow SEFs to operate efficiently while meeting the goals of Dodd-Frank.

BACKGROUND

The Proposed Rules regarding swap data recordkeeping and reporting will likely affect Thomson Reuters principally because of its operation (through subsidiaries) of the Thomson Reuters Dealing and Thomson Reuters Matching applications, and in particular its ownership interest in Tradeweb. Thomson Reuters Dealing is a leading global, multi-asset electronic trading platform and related data services providing trusted price transparency. Dealing was launched in 1982 and is now being used actively by over 18,000 professionals in over 125 countries for trading a diverse range of over 60 sub-asset classes including derivatives. Thomson Reuters Matching is an anonymous electronic trading application for the foreign exchange spot and swap markets with a central order book model. Both applications provide technology and connectivity for market participants and provide both pre- and post-trade transparency on an efficient and orderly trading platform together with post-trade efficiency. Tradeweb is a leading global provider of electronic trading platforms and related data services for the OTC fixed income and derivatives marketplaces. Thomson Reuters anticipates that some or all of these trading platforms may have to register as SEFs, and therefore would be subject to the recordkeeping and reporting requirements proposed in this rule.

In addition, Thomson Reuters Markets Division is a leading provider of real time market connectivity for financial institutions in the United States and around the world. Its Markets Division provides market information, technology and connectivity between market participants to help enable transparent, efficient and orderly securities markets. The

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Company has pioneered many developments in both Exchange and OTC markets, and so has deep expertise in electronic transactions processes across many of the asset ranges. These products and services may be useful to other market participants who have their own recordkeeping and reporting obligations.

COMMENTS

Thomson Reuters believes that its broad experience, both domestically and internationally, across asset classes, gives it an ability to provide the CFTC with informed and relevant suggestions regarding the proposed rule. Thomson Reuters is aware of the need for market participants to accurately record the core terms of their transactions, and agrees that regulatory bodies should have the ability to promptly and efficiently reconstruct significant market events and investigate other matters of suspected market manipulation.

Real-Time Reporting

Thomson Reuters supports the need for increased post-trade transparency through counterparties storing and reporting all legally confirmed OTC derivatives trades to a swap data repository (SDR). This should enable SDRs to provide a consolidated view of trading in each instrument, rather than trade-by-trade. If each SEF provided the real-time reporting, it would be for the trade as executed on the platform, and not the legally confirmed trading, making it difficult to compare to the trade reporting from the SDR. The SDR would also be in the right position to manage the level of complexity in non-equity trades between different instruments from different issuers; one example being the many separate fixed-income securities issued by one issuer.

Thomson Reuters recommends that the time period for reporting should be triggered after a trade is legally confirmed, as it should not be submitted to an SDR without confirmation. Otherwise it will be difficult to form an accurate picture of trading. These reporting rules should be applied to all trades, irrespective of whether they have been executed by voice or electronic. This creates a level playing field and avoids having traders select a specific execution channel to protect a large trade

Thomson Reuters recommends differentiating between reporting trades to an SDR and providing post-trade transparency out to the wider market. In this latter instance, care should be taken to ensure that protection is given to large block trades and/or trades executed on less-liquid instruments, to ensure that counterparties are able to manage their risk before their positions are disclosed to the market. The rules should require reporting of price and size based on all trades below a specified percentage of that instrument's daily volume over a specified (say, six month) period and that transactions above that specified percentage should require reporting by price and a large size indicator, such as used in TRACE indicators, but not the actual size. Such calibration could be monitored and adjusted on a semi-annual basis.

Phasing of Implementation

The proposed rule seeks comment on the effective date for implementation of the swap data reporting requirements. Thomson Reuters suggests that the CFTC should adopt a phased implementation schedule for reporting, which would allow the CFTC to learn from experience. The CFTC should adopt an approach that recognizes a need for comprehensive collaboration across all market participants.

The CFTC should implement reporting rules that are consistent with the reporting rules being proposed by the European Commission through MiFID II to ensure that a trade is reported under the same rules, irrespective of how and/or where it has been executed. The decision should not depend on which SDR or trade repository the trade reports to.

Perhaps it makes sense to adopt a pilot program covering the most standardized contracts, with high trading volumes. The CFTC could monitor how the markets react to the new transparency requirements and adapt reporting obligations accordingly. This would be comparable to the approach that the Financial Industry Regulatory Authority (FINRA) adopted when it implemented the TRACE reporting system, which over time applied to a broader portion of the market and featured gradually decreasing delays in reporting timeframes. If the CFTC found that market participants exited the market, with a resulting decrease in liquidity, modifications to the regulatory program may be warranted.

Data Retention

The proposal calls for data to be retained throughout the existence of the swap and for five years following its final termination or expiration, with an additional requirement that the data be readily accessible throughout its life and for two years following termination. Particularly where third-party vendors are used, the length of retention is an issue that is secondary to its collection. To the extent that foreign regulators, *e.g.*, the European Commission, are proposing to require a longer retention, a five-year retention period may be subsumed by the longer periods.

Third-Party Facilitation of Data Reporting

Thomson Reuters supports proposed section 45.6 which would permit mandatory reporting entities to contract with third-party service providers. Thomson Reuters and other vendors can offer hosting platforms for data that provide low-latency, high throughput functionality. Permitting third-party solutions should result in better data integrity and security along with assured connectivity and no maintenance headaches for the counterparties. Thomson Reuters strongly supports a requirement that third-party vendors that handle covered data implement best-practices regarding security, reliability, and integrity of data.

Flexible Approach to Accommodate Cross-Market Transactions

There is significant interconnectedness of trading strategies across market centers and asset classes, as recent events, including the May 6th flash crash, highlighted. It is important that recordkeeping and reporting obligations of CFTC-regulated transactions can be linked to transactions in other markets. The CFTC should facilitate interoperability with regulatory systems employed by other U.S. or foreign-based regulatory authorities by adopting an approach that enables all participants to connect equally, on a federated way, covering all asset classes, and leveraging current systems. Thomson Reuters is positioned to normalize and widely distribute this content.

Data Identifiers

The CFTC's proposal calls for the creation of three unique identifiers—unique counterparty identifier (UCI), unique swap identifier (USI), and unique product identifier (UPI). These unique identifiers would be used to link data together and permit regulators to aggregate data across counterparties, assets, classes, and transactions.

Thomson Reuters favors the creation of a UCI that is unique, permanent, extensible, and which contains no imbedded intelligence. Thomson Reuters believes that no current identifiers in the market comply with these criteria and although existing identifiers could be modified this would pose a risk that systems which manage the identifiers would not function properly.

In addition, the UCI should be consistent with/identical to the universal Legal Entity Identifier system that is under consideration by the CFTC and other regulators. The universe of entities covered by LEIs should be covered in a phased approach to address the scale and complexity of such an undertaking. Thomson Reuters believes that capturing them all within one system is technologically feasible and offers significant synergies versus managing the different entity classes separately.

Thomson Reuters notes the Commission's minimum proposed data points—the entity's name and location. To definitively resolve an entity, the UCI would need to be linked to other robust descriptive data, as would also be necessary to conduct any meaningful analysis of trading activity. While entities could self-publish this data, this would require significant verification activity. Alternatively, a utility that manages the UCIs could also manage the descriptive data, or third-party vendors could collect and manage this content.

Similarly, the USI that would follow a swap transaction through its existence has the potential to impose a significant implementation burden on market participants. Certainly, the generation of a unique alphanumeric code does not present a significant technological hurdle, and for swaps executed on a SEF, the SEF has the ability to generate and assign such a code. However, the proposal allows for additional tracking numbers to accompany the USI, when it would be feasible to have those alternative tracking numbers instead externally linked to the original USI at, for example, the repository or the Commission.

This linkage would permit tracking for multiple swaps that might be combined during their existence.

Regarding the use of unique product identifiers, Thomson Reuters suggests that, because this is an untested feature applied to the diverse derivatives market, often involving multi-class products or mixed swaps, the CFTC should develop and provide guidance that recognizes this diversity. Product identifiers containing intelligence present lower confidentiality concerns, but the complexity of the task of capturing exotic products is high. Thomson Reuters suggests that the CFTC implement a pilot program, which should include several different asset classes, before issuing mandatory identification requirements.

CONCLUSION

We look forward to working with the CFTC on this proposed rule and would welcome the opportunity to meet with CFTC staff to discuss these issues further.

Sincerely,

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