Richard A. Miller
Vice President and Corporate Counsel
Financial Management Law

The Prudential Insurance Company of America
Two Gateway Center, 5th Floor, Newark NJ 07102
Tel 973 802-5901 973 367-5135
richard.a.miller@prudential.com

September 20, 2012

David A. Stawick
Secretary of the Commission
Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st Street, N.W.
Washington, D.C. 20581

Re: RIN 3038–AD47; Clearing Exemption for Swaps Between Certain Affiliated Entities

Dear Mr. Stawick:

I am pleased to share the comments of Prudential Financial Inc. ("PFI") with the Commodity Futures Trading Commission (the "Commission") in response to the proposed rule regarding the proposed clearing exemption for swaps between affiliates (the "Proposed Rule")[1] pursuant to Title VII of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 ("Dodd-Frank"). We appreciate the thoughtful consideration of the Commission in crafting the exemption for inter-affiliate swaps in the Proposed Rule, and we believe that the Commission has generally identified the appropriate criteria to provide an exemption for inter-affiliate swaps from the swap clearing requirements under Dodd-Frank.

We have previously submitted several comment letters on the issue of affiliate transactions in which we recommended that such transactions not be subject to the clearing and execution requirements under Dodd-Frank and the related rules to be promulgated by the CFTC ("PFI Comment Letters").[2] As set forth in the PFI Comment Letters, we believe that transactions between affiliates do not present the issues and risks that give rise to a need for the application of the regulatory requirements applicable to swaps (particularly the mandatory clearing and

---

1 Clearing Exemption for Swaps Between Certain Affiliated Entities, 77 Fed. Reg. 50425, August 21, 2012.

2 Comment Letter, from Richard A. Miller, Vice President and Corporate Counsel, Financial Management Law, the Prudential Insurance Company of America, dated September 17, 2010; Comment Letter, from Richard. A. Miller, Corporate Counsel, Financial Management Law, the Prudential Insurance Company of America, dated February 17, 2011; and Comment Letter, from Richard A. Miller, Corporate Counsel, Financial Management Law, the Prudential Insurance Company of America, dated May 2, 2011.

execution requirements) and were not intended by Congress to be encompassed by the relevant provisions of Dodd-Frank. Therefore, we are strongly supportive of the Proposed Rule and are pleased that the Commission "recognizes these potential benefits of inter-affiliate swaps."[3]

Under the Proposed Rule, inter-affiliate swaps would be exempted from the clearing requirement under Section 2(h) of the Commodity Exchange Act (the "CEA"), if, among other requirements, the affiliated counterparties to the swap posted variation margin if both counterparties are financial entities, except in the case of 100% commonly owned and commonly guaranteed affiliates where the common guarantor is also 100% commonly owned. Given that PFI and its affiliates are all 100% commonly owned, and, therefore, would not be required to post variation margin for inter-affiliate swap transactions under the Proposed Rules, we have no issue with the variation margin requirement.[4]

With respect to the 100% common ownership and common guarantor pre-requisite, however, we would request that the Commission clarify the requirements of the Proposed Rule. We do not believe that inter-affiliate swaps should have to be commonly guaranteed by a 100% wholly owned affiliate to be exempt from the variation margin requirement. While any guaranty that does apply to such swaps should be from a 100% wholly owned affiliate, such a guaranty should not be a prerequisite to the exemption from the variation margin requirement. In other words, the corporate group of 100% wholly owned affiliates should be able to decide whether or not *internal* swaps need to be guaranteed by an affiliate.[5] Moreover, in the case of regulated entities such as the insurance affiliates of PFI, guarantees carry costs in terms of capital and balance sheet constraints. Therefore, we believe that the Commission should focus on the risks created when the enterprise faces the market.[6]

---

3 77 Fed. Reg 50427.

4 As a result of a very recent change to New York State insurance law, however, PFI and its affiliates nonetheless may be required to post variation margin for some inter-affiliate swap transactions.

5 We note that under proposed section 39.6(g)(4)(ii), the Commission identified several measures through which a counterparty could meet its financial obligations associated with entering into uncleared, inter-affiliate swaps, including a written credit support agreement, pledged or segregated assets, *or* a guarantee from another party. Therefore, we believe that the Commission understands the variety of options available to a corporate group, in addition to a guarantee, to address the risks associated with their internal swaps.

6 Proposed Section 39.6(g)(2)(iv) states, "With the exception of 100% commonly owned and commonly guaranteed affiliates where the commonly owned guarantor is also 100% commonly owned ...." One approach to clarifying this drafting issue would be to state, "With the exception of 100% commonly owned affiliates where the commonly owned guarantor, <u>if any</u>, is also 100% commonly owned ...."

In addition, the Proposed Rule would limit the inter-affiliate exemption to inter-affiliate swaps between two U.S.-based affiliates or between a U.S. affiliate and a non-U.S. affiliate that either (1) is located in a jurisdiction with a comparable and comprehensive clearing regime, (2) is otherwise required to clear swaps with third parties in compliance with U.S. law, or (3) does not enter into swaps with third parties. As an enterprise-type company with separate legal entities that are commonly owned by PFI, only one affiliate, Prudential Global Funding LLC ("PGF"), directly faces the market as a "conduit" to hedge the net commercial and financial risk of the various operating affiliates within PFI and does so solely in the United States. Under this practice, only PGF is required to trade with external market participants, while the internal affiliates within PFI trade directly with the PGF. Therefore, we do not believe that the requirements that the external-facing affiliate be located in the United States or another foreign jurisdiction that has a comparable and comprehensive clearing regime would be a concern for PGF and PFI.

Finally, we note that the Commission has requested specific comment respecting whether the proposed clearing exemption should be limited to affiliates that file consolidated tax returns. The rules for U.S. Federal consolidated tax returns do not necessarily follow the intended logic and underlying policy of the inter-affiliate exception, as currently proposed. For example, PFI as U.S. taxpayer cannot file consolidated U.S. tax returns with its non-U.S. affiliates. Therefore, if the inter-affiliate exception hinged on tax return consolidation, we would lose its benefit for our inter-affiliate swaps between our non-U.S. affiliates and PGF. Consequently, the corporate group would incur the costs and detriments of having to clear inter-affiliated swaps without any concomitant, material benefit in terms of systemic risk reduction.

We appreciate the opportunity to provide our comments to the CFTC on the Proposed Rule and we have responded to many of the questions posed in the Proposed Release. We continue to welcome the opportunity to discuss any questions the CFTC may have with respect to our comments and/or our responses to the questions posed in the Proposed Release. Any questions about this letter may be directed to me at (973) 802-5901.

Sincerely,

Richard A. Miller

Clearing Exemption for Swaps Between Certain Affiliated Entities

I. Background

A. Clearing Requirement for Swaps.

B. Swaps Between Affiliated Entities.

II. Inter-Affiliate Clearing Exemption Under CEA Section 4(c)(1)

A. The Commission's Section 4(c)(1) Authority.

Q1. The Commission requests comment on whether it should exercise its authority under CEA section 4(c).

We are pleased that the Commission has exercised its authority under section 4(c) of the Commodity Exchange Act, as we believe that transactions between affiliates do not present the issues and risks that give rise to a need for the application of the Dodd-Frank regulatory requirements applicable to swaps, particularly the mandatory execution and clearing requirements.

Q2. Do inter-affiliate swaps pose risk to the corporate group? If so, what risk is posed? In particular, do inter-affiliate swaps pose less risk to a corporate group than swaps with third parties? If so, why is that the case?

We believe that the use of inter-affiliate swap for hedging activities does not pose any risk to our larger corporate group, as affiliates are better positioned to monitor and address the credit risk of the affiliated swap counterparty, compared with their ability to monitor and address the credit risk of an unrelated counterparty. Therefore, we believe that inter-affiliate swaps pose less risk to a corporate group than swaps with third parties.

Q3. Do inter-affiliate swaps pose risk to the third parties that have entered into swaps that are related to the inter-affiliate swaps? If so, what risk is posed?

We do not believe that third parties that have entered into swaps that are related to inter-affiliate swaps would face any additional risk, as a result of the inter-affiliate relationship. In our case, the third parties will face PGF as its counterparty, and accordingly, they will assess the creditworthiness of PGF in the ordinary course of business.

Q4. Would the proposed exemption promote responsible economic or financial innovation and fair competition?

Yes, as it allows corporate groups to engage in efficient and effective risk management activities. For example, the use of PGF as the single conduit for the various affiliates within PFI diminishes the demands on PFI's financial liquidity, operational assets and management resources, as affiliates within PFI avoid having to establish independent relationships and unique, duplicative infrastructures to face the market. Moreover, use of PGF as a conduit within PFI permits the netting of our affiliates' trades (e.g., one affiliate is hedging floating rates while another is hedging fixed rates). This effectively reduces

the overall risk of PFI and our affiliates, and allows us to manage fewer outstanding positions with external market participants. Furthermore, absent the exemption under the Proposed Rule, our financial affiliates would be forced to go directly to the market to hedge their risks, even though many of these entities do not have the capital and/or expertise to directly enter into swap transactions with third parties.

Q5. Would the proposed exemption promote the public interest?

Q6. Inter-affiliate swaps that do not meet the conditions to the proposed exemption would be subject to the clearing requirement under CEA section 2(h)(1)(A) and, potentially, the trade execution requirement under CEA section 2(h)(8) as well. What would be the costs and benefits of imposing the trade execution requirement on these inter-affiliate swaps? Should the Commission exempt some or all inter-affiliate swaps from the trade execution requirement regardless of whether the conditions to the proposed inter-affiliate clearing exemption are met?

We believe that imposing the trade execution requirement on inter-affiliate swaps would impose unnecessary and burdensome costs on market participants. Our affiliated entities may enter into a myriad of internal swaps with PGF that reflect specific economics that are necessary to the accomplishment of their economic objectives. PGF will hedge the risk of these transactions with the street. A trade execution requirement (like a clearing requirement) will interfere with the efficient management of our businesses without achieving any corresponding benefit in terms of systemic safety or price discovery. Competitive execution is unnecessary in the context of transactions between affiliates generally, and particularly in the case of PFI, because insurance law requires inter-affiliate transactions to be effected on fair market terms. Moreover, including transactions between affiliates in centrally executed markets and clearing houses will potentially mislead the market, by sending an inaccurate signal of the actual level of activity in the relevant market.

B. Proposed Regulations

1. Proposed §39.6(g)(1): Definition of Affiliate Relationship.

Q7. The Commission requests comments on all aspects of the Commission's proposed requirement that the inter-affiliate clearing exemption be available to majority-owned affiliates.

While PFI and its affiliates are all wholly owned affiliates, and meet the majority-owned requirement under the Proposed Rule, we express no view on this issue.

Q8a. Should the Commission consider requiring a percentage of ownership greater than majority ownership to qualify for the inter-affiliate clearing exemption?

Q8b. If so, what percentage should be used and what are the benefits and burdens of such ownership requirements?

Q8c Should the Commission require a 100% ownership threshold for the inter-affiliate clearing exemption? Would a 100% ownership threshold reduce counterparty risk and protect minority owners better than the proposed threshold? Are there other means to lessen risk to minority owners, such as consent?

Q9. Should the Commission consider an 80% ownership threshold based on section 1504 of the Internal Revenue Code, which establishes an 80% voting and value test for an affiliate group? In light of the potential benefits from centralized risk management in an affiliated group, would an 80% threshold sufficiently reduce overall risk to financial system.

2. Proposed § 39.6(g)(2)(i): Both Counterparties Must Elect the Inter-Affiliate Clearing Exemption.

Q10. Would this requirement create any operational issues?

We do not believe this requirement will create any operational issues.

3. Proposed § 39.6(g)(2)(ii): Swap Documentation.

Q11. The Commission requests comment as to the burden or cost of the proposed rule requiring documentation of inter-affiliate swaps.

We do not believe that the documentation requirement will be any more burdensome or costly than our current practice, which is to document our inter-affiliate swaps.

Q12. The Commission also requests comment as to whether its risk tracking and management and proof-of-claim concerns could be addressed by other means of documentation.

We believe that the documentation requirement is preferable to any other methods and represents the current industry best practice.

Q13. The Commission requests comment as to whether the Commission should create a specific document template. Should the industry do so?

Please see above.

4. Proposed § 39.6(g)(2)(iii): Centralized Risk Management.

Q14. The Commission requests comments that explain how current centralized risk management programs operate.

We utilize a centralized risk management system, in which only one affiliate, PGF, enters into swap transactions with third parties. As a concrete example, this risk management allows us to impose one, unallocated credit limit on our street-side counterparty relationships. Were it otherwise, and each affiliate faced the street directly, we would be compelled to allocate our enterprise-wide, swaps credit limit with a particular street-side

counterparty among our affiliates, which would be a difficult and dynamically challenging task.

Q15. The Commission requests comment on whether it should promulgate additional regulations that set forth minimum standards for a centralized risk management program. If so, what should those standards be? Is there a consistent industry practice which could be observed?

Q16. Is the proposed rule in line with industry practice?

Yes, we believe the Proposed Rule is in line with current industry practice.

5. Proposed § 39.6(g)(2)(iv): Variation Margin.

Q17a. The Commission requests comment as to whether it should promulgate regulations that set forth minimum standards for variation margin. If so, what should those standards be?

Q17b. The Commission requests comment as to whether it should promulgate regulations that set forth minimum standards for initial margin. If so, what should those standards be?

We do not believe the Commission should impose initial margin on inter-affiliate swap transactions. The credit risk of inter-affiliate swaps belongs to the corporate group of which they are a part. The corporate group is capable of managing that risk without the need for a mandate from the Commission requiring initial margin for internal swaps.

Q17c. The Commission requests comment as to whether it should promulgate regulations that set forth minimum standards for both initial and variation margin for inter-affiliate swaps. If so, what should those standards be?

Please see above.

Q17d. The Commission's proposed rule "Margin Requirements for Uncleared Swaps for Swap Dealers and Major Swap Participants" 17 CFR Part 23 would require initial and variation margin for certain swaps that are not cleared by a registered designated clearing organization. Should inter-affiliate swaps that are not subject to the clearing requirement of CEA section 2(h)(1)(A) be subject to the margin requirements as set out in proposed Part 23 or otherwise?

No, we do not believe that inter-affiliate swaps should be subject to Part 23 margin requirements. In addition, we appreciate that as noted in footnote 38 to the proposing release, "The Commission does not propose that variation margin posted in respect of inter-affiliate swaps be required to be held in a segregated account or be otherwise unavailable for use and rehypothecation by the counterparty holding such variation margin." We agree with this approach because liquidity within the corporate group needs to flow freely.

Q18. The Commission requests comment on the costs and benefits of requiring variation margin for inter-affiliate swaps, both in general and specifically, regarding corporate groups that do not currently transfer variation margin in respect of inter-affiliate swaps.

Q19. The Commission requests comment on whether 100% commonly-owned affiliates sharing a common guarantor—that is, a guarantor that is also 100% commonly owned—should be exempt from the requirement to transfer variation margin. Please explain the impact on the corporate group, if any, if the described affiliates are required to transfer variation margin.

We believe that 100% commonly owned affiliates sharing a common guarantor should not be required to transfer variation margin for inter-affiliate swap transactions. The requirement to transfer variation margin will decrease available liquidity, increase expenses to the affiliates, and will impose unnecessary operational demands.

The ultimate bearer of fiscal responsibility in a 100% wholly owned group of companies is the corporate parent. How the enterprise distributes risk among its affiliates should be a matter of internal corporate governance and financial controls. For example, affiliate A might extend affiliate B unlimited credit but affiliate C might require B to post collateral from the first dollar of exposure. As discussed in our cover letter, we do not believe that a corporate group such as PFI's should be compelled to create *internal*, inter-affiliate guarantees when, in point of fact, the ultimate corporate parent has responsibility for corporate and fiscal governance of the enterprise. Rather, it is important that the street-facing transaction be subject to the clearing requirement, which it will be.

Q20a. Should any other categories of entities or corporate groups, such as non-swap dealers and non-major swap participants, be exempt from the variation margin requirement for their inter-affiliate swaps? If so, which categories and why?

Q20b. Should the Commission limit the variation margin requirements to those inter-affiliate swaps for which at least one counterparty is a swap dealer, major swap participant, or financial entity, as defined in paragraph (g)(6) of the proposed rule text, that is subject to prudential regulation?

As discussed above, we may be subject to variation margin requirements under state insurance law, but we do not believe that the Commission should impose variation margin requirements as a result of the status of the affiliate.

Q21. The Commission requests comment as to whether it should eliminate the proposed exemption's variation margin condition for swaps between 100% owned affiliates.

Although we may be subject to variation margin requirements for inter-affiliate swap transactions under state insurance law, we believe that the Commission should eliminate the proposed exemption's variation margin condition for swaps between 100%-owned affiliates, for the reasons discussed above. Among 100% wholly owned affiliates, neither variation margin nor inter-affiliate guarantees should be required as a prerequisite to the clearing exemption.

Q22. The Commission requests comment as to whether it should eliminate the proposed exemption's variation margin condition for swaps between 80% owned affiliates.

Q23. The Commission requests comment on whether all types of financial entities identified in CEA section 2(h)(7)(C) should be subject to the variation margin requirement. Should entities that are part of a commercial corporate group and are financial entities solely because of CEA section 2(h)(7)(C)(i)(VIII) be excluded from such requirement? Why?

We believe that wholly owned affiliates that enter into swap transactions should not be subject to variation margin requirements, regardless of their status as a financial entity.

6. Proposed § 39.6(g)(2)(v): Both Affiliates Must Be Located in the United States or in a Country with a Comparable and Comprehensive Clearing Regime or the Non-United States Counterparty is Otherwise Required to Clear Swaps with Third Parties in Compliance with United States Law or Does Not Enter into Swaps with Third Parties.

Q24a. The Commission requests comment on proposed § 39.6(g)(2)(v). Is the proposed condition that both affiliates must be located in the United States or in a country with a comparable and comprehensive clearing jurisdiction or the non-United States counterparty is otherwise required to clear swaps with third parties or does not enter into swaps with third parties a necessary and appropriate means of reducing risk and evasion concerns related to inter-affiliate swaps? If not, how should these concerns be addressed?

Given that PGF, the external-facing swap conduit is located in the United States and would, therefore, meet the criteria in the Proposed Rule, we do not object to the requirement.

Q24b. Should the Commission limit the inter-affiliate clearing exemption to foreign affiliates that only enter into inter-affiliate swaps if such foreign affiliates are not located in a jurisdiction with a comparable and comprehensive clearing requirement or are otherwise required to clear swaps with third parties in compliance with United States?

As noted above, we do not object to this requirement.

Q24c. Should the Commission limit the inter-affiliate clearing exemption to foreign affiliates that enter into swaps with third parties on an occasional basis if such foreign affiliates are not located in a jurisdiction with a comparable and comprehensive clearing requirement or are otherwise required to clear swaps with third parties in compliance with United States. What would constitute an occasional basis? For example, would once a year be an appropriate time frame?

Q25. The Commission requests comment on (1) the prevalence of cross-border inter-affiliate swaps and the mechanics of moving swap-related risks between U.S. and non-U.S. affiliates for risk management and other purposes (including an

identification of such purposes); (2) the risk implications of cross-border inter-affiliate swaps for the U.S. markets; and (3) specific means to address the risk issues potentially presented by cross-border inter-affiliate swaps.

PFI uses cross-border inter-affiliate swaps as a risk management tool for our foreign affiliates and we do not believe that such transactions create any additional risk issues, compared to inter-affiliate swap transactions with our domestic affiliates. As noted in our letter, only PGF, which is a U.S.-based affiliate, enters the market to hedge the risk of our domestic and foreign affiliates. Therefore, we do not believe there are any additional risk implications of cross-border inter-affiliate swaps for the U.S. markets, to the extent the market-facing entity is located in the United States.

Q26. The Commission recently adopted anti-evasion provisions relating to cross-border swap activities in its new rule 1.6. To what extent are the risk issues potentially presented by cross-border inter-affiliate swaps addressed by the anti-evasion provisions in rule 1.6?

Q27. The Commission also is considering an alternative condition to address evasion. That condition would require non-U.S. affiliates to clear all swap transactions with non-U.S. persons, provided that such transactions are related to inter-affiliate swaps which would be subject to a clearing requirement if entered into by two U.S. persons. Should the Commission adopt such a condition? Would such a condition help enable the Commission to ensure that the proposed inter-affiliate clearing exemption is not abused or used to evade the clearing requirement? Are there any other means to prevent evasion of the clearing requirement or abuse of the proposed inter-affiliate clearing exemption that the Commission should adopt?

7. Proposed § 39.6(g)(2)(vi): Notification to the Commission.

8. Proposed § 39.6(g)(3): Variation Margin Requirements.

9. Proposed § 39.6(g)(4): Reporting Requirements.

Q28. The Commission requests comment on whether affiliates would submit identical annual reports for most corporate groups.

While our affiliates may not submit identical annual reports, their annual reports would be substantially similar.

Q29a. The Commission requests comment as to whether reporting counterparties that would not report to an SDR should be subject to swap-by-swap reporting requirements? Should the Commission allow such entities to report all information on an annual basis? Please provide any information as to the number of reporting counterparties that would be affected by such a rule change.

We believe, and ask the Commission to clarify, that only one party should be required to report the swap transaction to the SDR. We believe that an annual reporting requirement is more efficient than a swap-by-swap reporting requirement for affiliate transactions.

Q29b. The Commission requests comment as to whether different-sized entities should be subject to the proposed reporting requirements or the reporting requirements for affiliates that elect the end-user exception, as applicable. If different sized entities should not be subject to such reporting requirements, please explain why. Alternatively, should the Commission allow phased compliance for different sized entities?

We believe the proposed reporting requirements are acceptable to all market participants.

III. Consideration of Costs and Benefits.

A. Introduction.

B. Proposed Baseline.

C. Costs.

1. To Market Participants and the Public.

2. To Potentially Eligible Entities.

D. Benefits.

E. Costs and Benefits as Compared to Alternatives.

F. Consideration of CEA section 15(a) Factors.

1. Protection of Market Participants and the Public.

2. Efficiency, Competitiveness, and Financial Integrity of Futures Markets.

3. Price Discovery.

4. Sound Risk Management Practices.

5. Other Public Interest Considerations.

G. Request for Public Comment on Costs and Benefits.

Q30. The Commission invites public comment on its cost-benefit considerations, including the consideration of reasonable alternatives.

As discussed above, the Proposed Rule would allow corporate groups to engage in efficient and effective risk management activities. Without the proposed exemption, PFI and other similarly situated entities would be subject to increased demands on financial liquidity, operational assets and management resources, as affiliates would have to establish independent relationships and unique infrastructure to face the market.

Q31. If the Commission were to propose a clearing exemption limited to 100% owned affiliates, what costs and benefits would affect market participants and the public?

Q32. If the Commission were to propose a clearing exemption with an ownership requirement of greater or less than majority ownership what costs and benefits would affect market participants and the public?

Q33. If the Commission were to issue a proposed clearing exemption limited to those affiliates that file consolidated tax returns, what costs and benefits would affect market participants and the public?

As stated in our cover letter, the rules of U.S. Federal consolidated tax returns do not necessarily follow the intended logic of the inter-affiliate exception, as currently proposed. We cannot file consolidated U.S. tax returns with our non-U.S. affiliates. Therefore, if the inter-affiliate exception hinged on tax return consolidation, we would lose its benefit for our inter-affiliate swaps between our non-U.S. affiliates and PGF. Consequently, the corporate group would incur the costs and detriments of having to clear inter-affiliated swaps without any concomitant, material benefit in terms of systemic risk reduction, that we can see.

Q34. Do inter-affiliate swaps affect price discovery? To what extent would the inter-affiliate clearing exemption affect price discovery?

We do not believe that inter-affiliate swap transactions affect the price discovery function of the swap market, as there is no change in ultimate beneficial ownership.

Q35. Besides variation margin, is there a less costly risk-management tool that would serve the same risk-management objectives as variation margin?

Although we do not believe that variation margin is appropriate or required in every circumstance, we do not believe that there is a less costly risk-management tool. However, we believe that inter-affiliate swaps do not pose the same risk to the market as swaps between third parties, for the reasons discussed above.

Q36. Besides affiliates, SDRs, and the Commission, are there any other entities that might bear a direct cost as a result of the proposed inter-affiliate clearing exemption? If so, who and to what extent?

As discussed above, we believe that the proposed exemption is beneficial to all market participants, and does not increase credit risk to third-party counterparties or affect the price discovery function of the swaps markets.

Q37. Commenters are invited to submit any data or other information that they may have quantifying or qualifying the costs and benefits of the proposal with their comment letters.

Q38. Commenters are invited to submit any data or other information that they may have quantifying or qualifying start-up and on-going costs and benefits associated with establishing a centralized risk management program.

IV. Administrative Compliance.

A. Regulatory Flexibility Act.

Q39. The Commission invites comments on the impact of this proposed regulation on small entities.

B. Paperwork Reduction Act.

1. Overview.

2. Information Provided by Reporting Entities.

a. Proposed § 39.6(g)(4) Reporting Requirements.

Q40. As discussed above, the Commission does not have information as to how many inter-affiliate swaps would qualify for the end-user exception. The Commission invites comments on whether most inter-affiliate swaps would qualify for the end-user exception because one of the affiliates is a commercial entity and the swap hedges or mitigates the commercial risk of that affiliate. The Commission also requests any information that would help to quantify the number of inter-affiliate swaps or the share of inter-affiliate swaps that would qualify for the end-user exception.

b. Other Costs.

i. Updating Reporting Procedures.

ii. Burden on Non-Reporting Affiliates.

iii. Annual Reporting under Proposed § 39.6(g)(5).

c. Total Burden Hours