Dodd Frank:

*Wall Street Reform and Consumer Protection Act*

*Title VII – Wall Street Transparency and Accountability Reporting Requirements*

Ruth G. Laslo
Executive Director & Senior Counsel
UBS Investment Bank

April 26, 2013
What are the CFTC Reporting Requirements for FX?

I. Dodd-Frank Section 727; Commodity Exchange Act Section 2(a)(13)(G)

| Swap Data Recordkeeping and Reporting requirements (including Pre-Enactment and Transition Swaps) | CEA section 2(a)(13)(G), CEA section 21 | 17 CFR 45 and 17 CFR 46 | Swap data reporting to a swap data repository for swaps transactions with US and non-US Persons counterparties. Compliance with reporting of swap transactions with Non-US persons is phased in till July 12th 2013. |
| Real-Time Public Reporting of Swap Transaction data | CEA section 2(a)(13) | 17 CFR 43 | Requirement to report all swap transaction & pricing data must be reported to the appropriate registered SDR to enhance price discovery |
| Large Trader Reporting for Physical Commodity Swaps | CEA Section 4t | 17 CFR 20 | Requires the reporting of positions in certain physical commodities and covers 46 futures contracts. Compliance with reporting of swap transactions with Non-US persons is phased in till July 12th 2013 |

II. Basis for CFTC Rules:

- 17 CFR Part 45: Swap Data Recordkeeping and Reporting Requirements (“SDR Reporting”)
- 17 CFR Part 43: Real Time Public Reporting of Swap Transaction Data (“RT Public Reporting”)
- 17 CFR Part 46: Swap Data Recordkeeping and Reporting Requirements: Pre-Enactment and Transition Swaps (incorporated part 44) (“Historical Swap Reporting”)
- 17 CFR Part 20: Large Trader Reporting (out of scope of this review)
- 17 CFR Part 50: End-User Exception to the Clearing Requirement for swaps (Section 50.50)
Compliance Dates:

SDR Reporting: Entity Level Requirement
Effective date – 2/28/13

RT Public Reporting: Transaction Level Requirement
Effective date – 2/28/13

Historical Swap Reporting: Entity Level Requirement
Effective date – 3/30/13
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CFTC Proposed Guidelines on “Cross Border”:

1. U.S. vs. Non-U.S. SD’s or MSP’s: 2/28/13 vs. 7/12/13

2. U.S. vs. non-U.S. clients

3. Part 45 vs. part 43

<table>
<thead>
<tr>
<th>UBS: Non US SD</th>
<th>U.S. Client</th>
<th>Non US Client</th>
<th>Non US Branch of US SD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Does UBS have to report</td>
<td>yes</td>
<td>yes</td>
<td>no</td>
</tr>
<tr>
<td>Feb 28 2013 till July</td>
<td>yes</td>
<td>yes</td>
<td>no</td>
</tr>
<tr>
<td>July 2013 And on</td>
<td>yes</td>
<td>yes</td>
<td>YES</td>
</tr>
</tbody>
</table>

* Table above – Direct Trading

In the Prime Brokerage Context and in the Non U.S. branch of a U.S. Swap Dealer context the analysis becomes more complex.
Dodd Frank: Wall Street Reform and Consumer Protection Act

• The CFTC is statutorily authorized to enact rules for OTC derivatives activities outside the United States where those activities "have a direct and significant connection with activities, in or effect on, commerce of the United States." This is an extension from the comparable jurisdictional provisions previously contained in the US commodities laws and in US securities laws.

• The CFTC chose not to address the extraterritorial application in its substantive regulations. Instead it reserved cross border issues for a separate interpretation:

  • The CFTC published a US person definition in December that is effective only until July 12, 2013.
  • The CFTC has stated its intention to publish a final Cross-Border Rules, which are yet to be published and will provide regulatory certainty with regard to the cross-border application of the DFA and the CFTC’s swaps regulations including the US Person definition. There is no indication when the final Cross-Border Guidance will be published (based on experience, close to the July 12 deadline).

• In a speech to the Institute of International Bankers on March 4th, 2013, Chairman Gensler reiterated his view of broad cross-border application of the CFTC’s rules. He stated that the final cross-border rules needed to ensure that non-US branches of US persons as well as non-US subsidiaries guaranteed by US persons were regulated under CFTC standards (either directly or through Substituted Compliance). He also said that collective investment vehicles that were managed out of the US or that were directly or indirectly majority owned by US investors needed to be caught by the US person definition even if incorporated outside of the US. Finally, he urged non-US swap dealers to engage with the CFTC and their home regulators now on Substituted Compliance.
### EMIR Cross-Border Impact

<table>
<thead>
<tr>
<th>Cross-Border Rules</th>
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</thead>
<tbody>
<tr>
<td>• ESMA, in a similar manner to the CFTC chose to refer to its extraterritorial application in the Level 1 text but reserved the detail of how this is in practice intended to be implemented to its Level 2 text which is yet to be published:</td>
</tr>
<tr>
<td>• In terms of the Level 1 text, this currently provides that:</td>
</tr>
<tr>
<td>• the EMIR risk mitigation requirements (including exchange of collateral) and the clearing obligation will directly impact contracts entered into between two third country entities where any such contract is determined to have “a direct, substantial and foreseeable effect within the Union or cases where it is necessary or appropriate to prevent the evasion of EMIR”. <strong>Further technical standards are expected to be released to specify the contracts considered to fall within this extension (No current timeline)</strong></td>
</tr>
<tr>
<td>• the extent of the application of the EMIR risk mitigation requirements, clearing obligation, reporting obligation and obligations relating to non-financial counterparties to contracts with third country entities (and the ability to apply for the intra-group exemption for collateral margining between a Union entity and a third country entity) is dependent upon the Commission determining the legal, supervisory and enforcement arrangements of the relevant third country are equivalent to the respective requirements in EMIR, ensure an equivalent protection of professional secrecy, and are being applied in an equitable and non-distortive manner. <strong>Further technical standards are expected to be released to consider equivalence in two phases (phase 1: USA and Japan – expected 15th June 2013 and phase 2: HK, Switzerland, Canada and Australia – expected 15th July 2013)</strong></td>
</tr>
<tr>
<td>• the ability of entities subject to EMIR to clear OTC contracts on CCPs outside of the Union or to report contracts to Trade Repositories outside of the Union is dependent on the Commission determining that the legal and supervisory regime in the country in which the CCP, or as the case may be the Trade Repository, is established complies with legally binding requirements which are equivalent to those of EMIR, are subject to effective ongoing supervision and enforcement in relevant third country and, in respect of CCPs, the legal framework provides for an effective equivalent recognition system and, in respect of the Trade Repositories, the guarantees of professional secrecy that exist in the relevant third country are equivalent to EMIR. <strong>Further technical standards are expected to be released to consider equivalence in two phases (phase 1: CCP USA and Japan, TR USA and phase 2: CCP Switzerland, Australia, Dubai, India, Singapore and HK, TR HK)</strong></td>
</tr>
</tbody>
</table>
# Entity-Level Requirements – EMIR Comparative Overview

<table>
<thead>
<tr>
<th>CFTC Rule Title</th>
<th>EMIR Level 1</th>
<th>EMIR Level 2</th>
<th>HIGH LEVEL EMIR COMPARATIVE SUMMARY</th>
</tr>
</thead>
</table>
| **Swap Data Recordkeeping and Reporting requirements (including Pre-Enactment and Transition Swaps)** | Article 9 | • Regulatory Technical Standard (RTS) on the minimum details of the data to be reported to Trade Repositories (TRs),  
  • Implementing Technical Standards with regard to the format and frequency of the trade reports to TRs | Reporting Obligation  
  • All counterparties and CCPs must ensure that the details of any derivative contract (both OTC and ETD) they have concluded, modified or terminated, is reported to a registered/recognized Trade Repository (TR), no later than **one working day** following the event.  
  • Reports are to include both Counterparty and Common data  
  • A counterparty or CCP may delegate the reporting of the details of the contract however remains responsible for ensuring that contracts are reported without duplication.  
  • Once the reporting requirement is phased in, counterparties must report contracts which (a) were entered into before 16th Aug. 2013 and remain outstanding on that date; and (b) are entered into on or after the 16th Aug. 2012  
  • EMIR makes no distinction between and does not define “counterparties” however ESMA have indicated that only Union counterparties are obliged to report such data and Union Counterparties not required to report Counterparty data on their Non-Union Counterparties  
  • Compliance with the reporting requirements phased in dependant on registration of TR and asset class; earliest expected date **23rd September 2013** |
| **Large Trader Reporting for Physical Commodity Swaps** | N/A | N/A | **No equivalent under EMIR**  
  • However expected that MiFIR will require all investment firms regulated under MiFID to make public post-trade disclosure of all derivatives that are eligible for clearing or that are to be reported to TRs. MiFID2 and MiFIR also envisage new pre-trade transparency requirements for derivatives trading and position limits/management requirements for commodities derivatives. |
| **Swap Data Recordkeeping** | Art 9(2) | N/A | **Recordkeeping**  
  • Requires counterparties to keep a record of any derivative contract that they have concluded and any modification for at least 5 years following the termination of the contract.  
  • EMIR makes no distinction between counterparties and includes no requirement to make records available to ESMA or competent authority.  
  • In force as of **16 August 2012** |
## Transaction-Level Requirements – EMIR Comparative Overview

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</tr>
</thead>
<tbody>
<tr>
<td>Real-Time Public Reporting of Swap Transaction Data</td>
<td>N/A</td>
<td>N/A</td>
<td>No equivalent under EMIR</td>
</tr>
</tbody>
</table>
What Get’s Reported:

Part 45: See Appendix A:
See pages 2211-2223

Part 43: See Appendix B:
See pages 1250-1263

Who Reports:

If a transactions is executed on a SEF or DCM, the SEF or DCM

If a transaction is executed off-facility but accepted for clearing within the reporting time limit, the DCO/CCP

Otherwise: as between an SD and a non-SD, the SD; between 2 SDs, the be agreed by the parties; between 2 non-SDs/MSPs, to be agreed between the parties.
How Do These Requirements apply to FX:

1. Spot – under the Product definitions – the CFTC clarified that they view spot as FX transactions that generally settle within 2 days. Although the statute does not address this, the CFTC has stated that FX spot is outside of the scope of Dodd Frank.

2. The statute gave the Treasury the authority to exempt FX Forwards and Swaps. On November 16, 2012, the U.S. Treasury Department issued its exemption of physically settled FX Forwards and Swaps from the definition as “Swaps” under Dodd Frank.

In Reality what does this mean:

- Physically settled FX Forwards and Swaps are exempt from:
  - SEF or DCM trading
  - Clearing
  - Margin
  - RT Public Reporting

- Physically settled FX Forwards and Swaps are subject to:
  - SD Reporting
Dodd Frank: An Operational Perspective - Between Buy-side And Trade Repository

Dealer / Buy-Side:
- Reporting obligation resides primarily with the dealer in all SD to non-SD transactions. Main operational builds driven by eligibility checks and client reference data requirements.

Dealer / Repository:
- Technical builds focused on ensuring consistency of information across industry participants could be provided in an agreed template necessary to meet the regulations.
- Challenges ensued in bringing different internal booking systems to provide one common reporting message format.

CD 2 Challenges:
- Data volumes – FX is large volume, STP business.
- Implementing into an already live repository requires additional safeguards.
- New ground for all participants involved – Regulators, Dealers, Buy-Side, Repository.

Anticipated Future Challenges – Select Examples:
- Multi-Jurisdictional Reporting and Repositories:
  - Cross-jurisdictional requirements while similar are not identical and require different solutions for each reporting regime.
  - Internal efficiencies, limited deliver time-frames as well as finite resources require the leveraging of common platform and reporting systems.
  - Definition of final requirements across jurisdictions remains fluid.
- July inclusion by non-US SDs of non-US persons Dodd-Frank reporting: Significant increase in reporting obligations and participants with increased local jurisdictional conflicts.
  - E.g.: Data masking: Compliance against all local and global reporting requirements not easy to achieve given contradictory rules.
3. Other FX products are subject to Dodd Frank including SD Reporting, RT Public Reporting and Historical Swap Reporting.

- Cash settled products
- NDFs
- Options
- NDOs
- Barrier/Exotics
Transactions between 2 non-SD’s /non MSPs

Reporting Requirements / Effective Date

Swaps between 2 non-SD’s /non-MSP’s are subject to reporting as well

Example: Trade between 2 funds – rebalancing /novation

The Effective Date was April 10, 2013

NAL 13-10 postpones the compliance date as follows:

1) Financial Swap Counterparty:
   
   Part 45 & 43 May 29, 2013
   
   Part 46 June 29, 2013 for trades between 4/10/13 – 5/29/13
   
   Part 46 pre 4/10/13 – September 30, 2013

2) Non-Financial Swap Counterparty (for FX):

   Part 45 & 43 – August 19., 2013

   Part 46: September 19, 2013 for trades between 4/10/13 – 8/19/13

   Part 46 pre 4/10/13 – October 31, 2013
# 2012: CFTC No Action Relief Summary

Relief issued by CFTC are subject to number of additional conditions which will have to be complied with to rely on such reliefs.

<table>
<thead>
<tr>
<th>Topic</th>
<th>CFTC Rule Citation</th>
<th>No Action Relief # / Release Date</th>
<th>No Action Relief Description</th>
<th>Revised Timeline</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reporting requirements - Compliance Dates</td>
<td>Swap Data Recordkeeping and Reporting Requirements: Pre-Enactment and Transition Swaps (17 CFR Part 46)</td>
<td>12-41 – Dec 5, 2012 <a href="http://www.cftc.gov/ucm/groups/public/@lrlettergeneral/documents/letter/12-41.pdf">http://www.cftc.gov/ucm/groups/public/@lrlettergeneral/documents/letter/12-41.pdf</a></td>
<td>CFTC letters (12-32 &amp; 12-41) provide a delay in reporting of historical swaps (part 46) until the earlier of: (i) 12:01 am EST on the date that is 30 days after the date on which SD is required to begin reporting of swap transaction data pursuant to Part 43 and 45 for the asset class to which historical swap belongs or (ii) 12:01 am EST on Apr 10, 2013. Based on the current timelines for part 45 and Part 43 reporting, the compliance dates for Part 46 has been deferred as follows: Jan 30, 2013 - Reporting of historical transactions in Interest Rate Swaps and Credit Default Swaps. Mar 30, 2013 – Reporting of historical swaps in FX, equity and Commodity.</td>
<td>IRS and CDS – Jan 30, 2013</td>
</tr>
</tbody>
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CFTC No Action Relief Summary

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</table>
| Reporting requirements – Relief from reporting counterparty identifying information | Swap Data Recordkeeping and Reporting Requirements (17 CFR Part 45) | 12-46 – Dec 7, 2012 | i) Reporting party may omit reporting of Part 20 identifying information for any sec 20.4 and 20.5 submission subject to certain conditions  
ii) Reporting party may omit Legal Entity Identifiers and certain counterparty identifying information which conflicts with non US privacy laws from its Part 45 and Part 46 reports subject to certain conditions as stated in the No Action relief. | Jun 30, 2013  
Backloading previously omitted data – no later than 30 days from the date of such expiration. |
| | Swap Data Recordkeeping and Reporting Requirements: Pre-Enactment and Transition Swaps (17 CFR Part 46) | | | |
| | Large Trader Reporting (17 CFR Part 20) | | | |
| | | http://www.cftc.gov/ucm/groups/public/@lrlettergeneral/documents/letter/12-46.pdf | This relief expires on the earlier of (i) reporting party obtaining consent from the non reporting party or (ii) reporting party no longer holds a reasonable belief regarding privacy law concerns or (iii) Jun 30, 2013. The Reporting Entity which is relying on this relief has to retain records demonstrating evidence of efforts to obtain counterparty consent and additional conditions for Part 20 which also includes Form 102S filing. |
| | Large Swap Trader Reporting Requirements (17 CFR Part 20) | 12-51 – Dec 14, 2012 | Sec 20.4 – CFTC extended the No Action relief for Non-Clearing Member Swap Dealers from Large Swap Trader Reporting Requirements of Section 20.4.  
Any entity that is relying on this no-action relief must state that it is doing so in an e-mail to the Division at SwapsLTR@cftc.gov, by no later than the date on which the entity applies for swap dealer registration. | Mar 1, 2013 |
## CFTC No Action Relief Summary

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</tr>
</thead>
<tbody>
<tr>
<td>Reporting requirements – Prime Brokerage Transactions</td>
<td>Swap Data Recordkeeping and Reporting Requirements (17 CFR Part 45)</td>
<td>12-53 – Dec 17, 2012</td>
<td>Relief from parts 43 and 45 for swap dealers, or similarly situated persons, entering into agreements that allow the allocation of Swap Reporting Responsibilities between prime brokers and executing dealers in prime brokerage transactions, as noted above, and applicable to all asset classes. The No Action relief is subject to certain conditions specified in the No Action letter. Further Relief from parts 43 and 45 for a reporting counterparty, that for the purpose of reporting a Mirror Swap, treats the time of acceptance by the PB for the ED-PB Swap associated with the Mirror Swap as the time of execution of the Mirror Swap. Additionally, this relief includes relief for prime broker for failure to include ED-PB swap USI in the initial SDR Reporting of the Mirror swap until the earlier of such time that the functionality is built to include ED-PB USI into the prime brokers SDR Reporting for the Mirror swap or Jun 30, 2013.</td>
<td>Jun 30, 2013</td>
</tr>
</tbody>
</table>

| Reporting requirements – Valuation Data | Swap Data Recordkeeping and Reporting Requirements (17 CFR Part 45) | 12-55 – Dec 17, 2012 | Relief for SDs / MSPs from compliance with reporting obligation under section 45.4(b)(2)(ii) to report valuation data. The no-action relief applies to: (i) all SDs and MSPs that are reporting counterparties under regulation 45.4(b)(2)(ii), and (ii) all cleared swaps for which the SD or MSP has the obligation to report valuation data under regulation 45.4(b)(2)(ii). The no action relief expires on June 30, 2013. | Jun 30, 2013 |
## CFTC No Action Relief Summary

Relief issued by CFTC are subject to number of additional conditions and will have to be complied with to rely on such reliefs.

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<tr>
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</tr>
</thead>
<tbody>
<tr>
<td>Reporting requirements – Relief to report swap data for CDS Clearing related Swaps</td>
<td>Swap Data Recordkeeping and Reporting Requirements (17 CFR Part 45)</td>
<td>12-59 – Dec 19, 2012</td>
<td>No Action relief for a reporting counterparty fails to comply with its obligations to report swap data as required by part 45 for CDS Clearing-Related Swaps, subject to the specific conditions mentioned in the No Action relief. The no-action relief shall expire on June 30, 2013.</td>
<td>Jun 30, 2013</td>
</tr>
<tr>
<td>Reporting requirements - Relief from the Reporting of Certain Non-Reporting Counterparty Information</td>
<td>Swap Data Recordkeeping and Reporting Requirements (17 CFR Part 45)</td>
<td>12-65 – Dec 21, 2012</td>
<td>Certain identifying information as provided in No Action letter relating to non-reporting party may be omitted from Part 45 and Part 46 reporting filed before April 10, 2013 subject to conditions stated in No-Action letter but only to the extent that such information is not provided by the non-reporting party and not available for reporting. Reporting counterparty must report the previously omitted identifying information as soon as the information is available but no later than April 30, 2013.</td>
<td>April 10, 2013</td>
</tr>
<tr>
<td>Reporting requirements – relief from reporting of certain branches, Exotic / Multi Leg swap transactions / USI linkage and Life cycle events</td>
<td>Real-time Reporting of Swap Transaction Data (17 CFR Part 43)</td>
<td>12-66 – Dec 21, 2012</td>
<td>CFTC provided No Action relief for the following issues raised by the industry with respect to Credit and Interest Rate Swaps: (i) Delay in Reporting by Branches Located in Emerging Markets (ii) Delay of Reporting for Exotic/Multi-Leg Swap Transactions (iii) Delay in Linking the Unique Swap Identifier (“USI”) of Certain Subsequent Transactions to the USI of the Previously Reported Initial Swap (iv) Relief for Withholding Reporting of Certain Life Cycle Events. The No action relief provided herein is subject to the specific conditions provided in the No Action letter which includes assessment and documentation by SDs CIO of the technical difficulties resulting in an inability to comply with the requirements.</td>
<td>April 30, 2013</td>
</tr>
</tbody>
</table>

Relief issued by CFTC are subject to number of additional conditions and will have to be complied with to rely on such reliefs.
No Action Letters: 2013:

13-08: The Division of Market Oversight is providing no-action relief to entities who are neither swap dealers or major swap participants with respect to certain reporting and recordkeeping requirements of the trade option exemption contained in Regulation 32.3.

13-09: No-Action Relief for Swaps Between Affiliated Counterparties That Are Neither Swap Dealers Nor Major Swap Participants from Certain Swap Data Reporting Requirements Under Parts 45, 46, and Regulation 50.50(b) of the Commission’s Regulations

13-10: The CFTC’s Division of Market Oversight has issued a no-action letter providing swap counterparties that are not swap dealers or major swap participants (“non-SD/MSP counterparties) with certain time-limited relief from the reporting requirements of the CFTC’s swap data reporting rules, which are set forth at Parts 43, 45 and 46 of the CFTC’s regulations.
Other Jurisdictions Trade Reporting Status Summary

Singapore
- A consultation paper has been published with final rules expected to be released by mid-July 2013.
- Reporting for Credit and Rates is expected to start around end-September/beginning October 2013, with remaining asset classes expected to start around 31 December 2013.
- Dates might be at risk due to delays in the publication of final rules.

Australia
- Draft consultation paper issued on 15 March 2013. Responses were due by 12 April 2013.
- Proposed dates include the following key implementation milestones:
  1. Voluntary reporting (mandate) – 1 July 2013;
  2. Credit and Rates (major banks) – 31 December 2013;
  3. Other asset classes (major banks) – 30 June 2014

Canada
- Draft pan-Canadian model rules published with final version due in May 2013.
- Canada will follow a provincial rule adoption model with Ontario licensing regime scheduled for a Q1 2014 implementation of Credit and Rates reporting (initial estimate 1 January 2014). Other asset classes are due by 30 June 2014.

Russia
- NSD registered as a trade repository as of 6 February 2013; reporting date for Repos & FX is 6 November 2013.

Other Jurisdictions
- Taiwan
- India
- Japan – reporting is live.
Appendix A, Appendix B, below

Adobe Acrobat Document

Adobe Acrobat Document
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