Key Compliance Challenges - April, 2013

I. Assumptions regarding FX market structure
   o Divergent client base translates into divergent capabilities
   o Product evolution

II. CD3 no-action relief

   Temporary Reporting Delay from April 10, 2013 Compliance Date
   o CFTC NAL issued April 9 2013 extends P43 & P45 for swaps between non-financial swap counterparties
   o Credit & Interest Rate: report July 1, 2013; backload from April 10-July 1 by August 1, 2013
   o Historic Swap reporting effective October 31, 2013
   o Inter-affiliate Transactions

   o CFTC permanent NAL issued April 5, 2013 from P45 reporting and end-user exemption-related reporting between wholly- or majority-owned affiliates meeting certain requirements
     i. Wholly-owned: (i) one party directly or indirectly holds 100% ownership in the other and reports consolidated financials under GAAP/IFRS, or (ii) third party directly or indirectly holds 100% ownership in both affiliated parties and reports consolidated financials under GAAP/IFRS
ii. **Majority-owned:** (i) one party directly or indirectly holds majority ownership in the other party and reports consolidated financials under GAAP/IFRS, or (ii) third party directly or indirectly holds majority ownership in both affiliated parties and reports consolidated financials under GAAP/IFRS.

iii. "**Majority**" defined as majority of equity securities or right to receive majority of capital of partnership upon dissolution.

- Applies to trades between affiliates who are not SDs/MSPs and are not affiliated with SDs/MSPs/systemically important financial companies and who are not executing on a SEF/platform/trading facility or clearing through a clearinghouse/DCO.

- Report outward-facing swaps of either affiliate with unaffiliated entities or ensure unaffiliated counterparty will report the trade

- One party to report outward-facing swaps between a non-US affiliate and an unaffiliated non-US counterparties outside the US

- No relief if counterparties elect the inter-affiliate clearing exemption, but counterparties can still rely on the NAL if they elect the clearing end-user exemption to apply to the inter-affiliate trade

- **Additional conditions for majority-owned but not wholly-owned affiliates:**
  - Report to an SDR within 30 days of the end of each fiscal quarter;
  - No relief for P43 swaps (i.e. arms length resulting in change to market position between affiliates must be publicly reported; other inter-affiliate swaps exempt)

* **Historic Swaps**

* NAL exempts swaps from historical reporting of inter-affiliate swaps between wholly- or majority-owned affiliates, subject to conditions, including that:

1. Neither counterparty is a SD/MSP or affiliated with a SD/MSP/systemically important financial company
2. Swap is not executed on a trading facility,
3. Neither counterparty submits the trade for clearing at a DCO, and
4. Affiliated counterparties retain full and comprehensive records.
III. Privacy & Confidentiality Reporting Implications

- CFTC NAL 12-46 issued December 7, 2012

- CFTC Issues Additional Information December 21, 2012 for LEIs & Certain Identifying Information
  
  o Conflicting Rules
  
  o Jurisdictional Analysis

  
  o Additional Conflicting Rules
  
  o International coordination efforts
  
  o National authorities ultimately responsible

- Next Steps
  
  o Regulatory Initiatives