



U.S. Commodity Futures Trading Commission

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Gary Gensler
Chairman

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July 1, 2010

The Honorable Maria Cantwell
United States Senate
Washington, DC 20510

Dear Senator Cantwell:

In response to your request, I am writing to provide my views on the clearing requirement in Title VII of H.R. 4173, the "Wall Street Transparency and Accountability Act of 2010." The legislation reported by the Conference Committee is strong, comprehensive and historic. The legislation mandates the clearing and transparent trading of standardized over-the-counter derivatives and comprehensive regulation of derivatives dealers.

The bill explicitly requires that swap dealers, major swap participants and financial entities use a clearinghouse for standardized or "clearable" derivatives transactions. Under the bill the CFTC and SEC are required to promulgate rules and regulations to provide for the mandatory clearing of such swaps. Commercial end users are exempt from this clearing requirement, as are customized swaps, and the Commission is directed to consider whether to exempt small banks, savings associations, farm credit institutions and credit unions from the clearing requirement.

I believe that a significant portion of the market will be subject to this mandatory clearing requirement. Although estimates vary, the CEO of one of the largest financial institutions and swap dealers in the U.S. has publicly testified that as much as 75 to 80 percent of the over-the-counter derivatives marketplace is standard enough to be centrally cleared. While we do not know for certain what portion of the standard market is between and amongst financial entities, data from the Bank for International Settlements indicate that more than 85 percent of the entire over-the-counter derivatives marketplace is between or amongst reporting swap dealers and other financial entities.

These clearing requirements, together with the trading requirement and comprehensive dealer regulation, will greatly reduce risk and enhance transparency in these markets.

Thank you for all of your contributions toward this landmark legislation.

Sincerely,

Gary Gensler
Chairman