



2nd April 2012

European Securities and Markets Authority

103 Rue de Grenelle

75007

Paris

France

**Re: Joint Discussion Paper on Draft Regulatory Technical Standards
on risk mitigation techniques for OTC derivatives not cleared by a CCP under the
Regulation on OTC derivatives, CCPs and Trade Repositories
(JC/DP/2012/1)**

SWIFT is pleased to respond to the above discussion paper. Our comments are focused solely on the issue of operational processes relating to the exchange of collateral.

SWIFT is a member-owned, cooperatives society that provides its community of banking, securities, market infrastructures and other regulated organisations, as well as corporations, with a comprehensive suite of messaging products and services. Through these products and services SWIFT supports every aspect of global financial services, including payments processing and securities post trading. SWIFT also has a proven track record of bringing the financial community together to work collaboratively, through its country National Member Groups, to shape market practice, define formal standards and debate issues of mutual interest. SWIFT is organised under Belgian law and is owned and controlled by its shareholding users, comprising over 2,300 financial institutions. The user community exceeds 9,600 connected firms, across 210 countries. A fundamental aim of SWIFT's governance is to continually reduce the costs and risks borne by the industry.

We would be pleased to engage further with ESMA to further elaborate on any aspect of our comments.

Yours sincerely

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Responses to Specific Questions

Q41 In your view, what criteria and factors should be met to ensure counterparties have a robust operational process for the exchange of collateral?

In our view there is scope to improve operational processes for the exchange of collateral in the industry. The end-to-end processing of the margin calculation, including the communication between counterparties and the instruction of downstream systems for the movement of the underlying collateral, should be based upon electronic message exchange using open messaging standards. This would enable higher levels of straight through processing to be achieved. Currently key elements of these processes such as the upstream margin calculation, and negotiations between parties, are frequently based upon the exchange of e-mails and faxes. Such processes, whilst inhibiting straight through processing, also lead to enhanced risk of operational errors, with the potential for higher risk and operational losses.

Open messaging standards developed under the ISO scheme are available to cover these operational processes, and we believe that the adoption of such electronic processes based open standards such as those developed by ISO, should become the normal market practise for such operations. As with all standardisation processes the benefits really start to accrue when a critical mass of players has agreed to use a particular messaging set and agreed upon common operational processes for the usage of such standards.

We also believe that industry participants should exchange such standard messaging over robust and secure communication networks.

SWIFT has been closely involved, under the ISO process, in developing messaging standards for bilateral collateral management, which includes linking the upstream collateral management to downstream settlement activity. We would be most pleased to supply ESMA with full documentation on the standards which are available.

In general we believe that through the use of open standards, market participants and regulatory bodies will gain enhanced ability to report and calculate the market wide positions of collateral movements, with associated transparency gains, at the same time as reducing operational risks.

Q42 What incremental costs do you expect from setting up and maintaining robust operational processes?

In terms of utilising market standards developed for ISO to meet the bilateral collateralisation requirements of the market, we believe that there will be limited upfront implementation costs, which can be off-set by the operational and risk reduction efficiencies which will be gained by a wide uptake and common operational practices.