

From: [REDACTED] <[REDACTED]>
Sent: Tuesday, September 10, 2019 1:52 PM
To: Martin, Katherine K <[REDACTED]>
Cc: [REDACTED]; [REDACTED]; Fox, Raquel <[REDACTED]>;
Albertson, Emily S <[REDACTED]>; Camillo, Magdalena <[REDACTED]>;
[REDACTED]; [REDACTED]; [REDACTED];
[REDACTED]; [REDACTED]; [REDACTED];
[REDACTED]; [REDACTED]; [REDACTED]; Balcom, Jonathan
<[REDACTED]>; Benham, Stephen <[REDACTED]>; Hutchinson, Kathleen
<[REDACTED]>; [REDACTED]
Subject: Cross-border Release Proposal

Dear Katherine

We are pleased to contribute the attached data to your **Cross Border Release Proposal**.

European participation

We have asked the European Banking Federation to provide empirical data on their participation in the security-based swaps (SBS) markets. Using revenue estimates for US single stock swaps and US Index swaps as a proxy for “SBS” participation rates, an external vendor and data aggregator (“Coalition”) estimates that the share of EU-based entities amount to 38% of the U.S. SBS market. EU affiliates of U.S. headquartered banks are not counted as EU-based entities and their market participation does not, therefore, form part of the above estimate. The figures do include EU affiliates of entities with a Swiss headquarter.

Main domiciles of potential EU registrants

As many EU entities remain in the process of assessing whether they need to register one or more SBSs, the information provided remains provisional. Nevertheless, the potential registrants (approx. eight banks) will be located in the United Kingdom, France, Germany and potentially the Netherlands and Ireland.

How many persons would be considered “associated persons” (APs)?

The EBF asked members to provide estimates on the number of associated persons for the following four scenarios:

- a. under the current SEC proposal;
- b. if the proposal removed all personnel that has no contact with US persons;

- c. if the proposal removed, in addition to the above, all personnel that was active exclusively in the “back office” functions that were described by EBF as functions 1 and 5; and
- d. if the proposal focused on sales and trading more narrowly by excluding structuring or supervisory functions.

For the purpose of the assessment, functions 1 and 5 (back-office) are defined as follows:

- a. Function 1: “drafting and negotiating master agreements and confirmations” (also referred to as “documentation”); and
- b. Function 5: “managing collateral for the SBS Entity”.

Bank 1

- Reports the following range of APs if global SBS APs are taken into account, with broad definition and accounting for back office: **3750**
- Reports the following remaining range of APs after accounting for potential reduction of this number when removing personnel with no US person contacts: **1125**
- Reports the following remaining range of APs after accounting for potential further reduction of the number by excluding back office functions: **875**
- Reports the following remaining range of APs after accounting for potential further reduction by focusing exclusively on personnel with sales or trader mandates for derivatives: **288**

Bank 2

- Reports the following range of APs if global SBS APs are taken into account, with broad definition and accounting for back office: ~ **2150-2250**
- Reports the following remaining range of APs after accounting for potential reduction of this number when removing personnel with no US person contacts: **~1350-1400.**
- Reports the following remaining range of APs after accounting for potential further reduction of the number by excluding back office functions : **~850**
- Reports the following remaining range of APs after accounting for potential further reduction of the number by focusing exclusively on personnel with sales or trader mandates for derivatives: **~750**

Bank 3

- Reports the following range of APs if global SBS APs are taken into account, with broad definition and accounting for back office: **Approx. 2100**
- Reports the following remaining range of APs after accounting for potential reduction of this number when removing personnel with no US person contacts: **Approx. 700-800**
- Reports the following remaining range of APs after accounting for potential further reduction of the number by excluding back office functions: **Approx. 100-200**
- Reports the following remaining range of APs after accounting for potential further reduction of the number by focusing exclusively on personnel with sales or trader mandates for derivatives: **approx. 100 if limited to US-focused APs**

Bank 4

- Reports the following range of APs if global SBS APs are taken into account, with broad definition and accounting for back office: **Approx. 2,100**
- Reports the following remaining range of APs after accounting for potential reduction of this number when removing personnel with no US person contacts: **Approx. 1,680 SBS APs (only those APs authorized to communicate directly with U.S. persons)**
- Reports the following remaining range of APs after accounting for potential further reduction of the number by excluding back office functions: **estimated 700 SBS APs for front-office personnel only, and when removing all back-office functions (comparable to the CFTC AP approach)**

Bank 5

- Reports the following range of APs if global SBS APs are taken into account, with broad definition and accounting for back office: **Approx. 1340**
- Reports the following remaining range of APs after accounting for potential reduction of this number when removing personnel with no US person contacts: **Approx. 650-750**
- Reports the following remaining range of APs after accounting for potential further reduction of the number by excluding back office functions: **Approx. 560**

Bank 6

- Reports the following range of APs if global SBS APs are taken into account, with broad definition and accounting for back office: **over 6800**
- Reports the following remaining range of APs after accounting for potential reduction of this number when removing personnel with no US person contacts: **over 1000**
- Reports the following remaining range of APs after accounting for potential further reduction of the number by excluding back office functions: **Approx. 700**

Please note that the above estimates are based on a certain amount of assumptions. The comparison between the current SEC proposal and the alternative proposal that removes personnel with no contact with US persons was made by comparison headcount under the current SEC proposal with the alternative headcount that would result if an approach akin to the “CFTC approach” on “associated persons” was taken. The third set of assumptions is based on removing back office personnel, i.e., personnel occupied in documentation and collateral management. The fourth, optional, set of figures looks only at personnel engaged in sales and trading and excludes personnel active in structuring or their supervisors.

Kind regards
Tilman

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