

July 7, 2017

Christopher Kirkpatrick,  
Secretary of the Commission,  
Commodity Futures Trading Commission,  
Three Lafayette Centre,  
1155 21st Street NW, Washington, DC  
20581 U.S.A.

CFTC ref: RIN 3038-AE56

***Comments on the Proposed Rule: Chief Compliance Officer Duties and Annual Report Requirements for Futures Commission Merchants, Swap Dealers, and Major Swap Participants; Amendments***

Dear Mr. Kirkpatrick:

We, the Japanese Bankers Association (JBA), would like to express our gratitude for this opportunity to comment on the proposed rule: *Chief Compliance Officer Duties and Annual Report Requirements for Futures Commission Merchants, Swap Dealers, and Major Swap Participants; Amendments*, issued by the Commodity Futures Trading Commission (CFTC) on May 3, 2017. We respectfully expect that the following comments will contribute to your further discussion.

We support CFTC's efforts for harmonizing with the rules of the Securities and Exchange Commission and all initiatives intending to increase the financial market efficiency and reduce the regulatory burden on the industry participants. However, we are concerned about the possible impacts that the amendments may have on the availability of substituted compliance (SC) for swap dealers and major swap participants who have already obtained the approval for SC. In particular, some amendments appear to have an impact on Chief Compliance Officer (CCO) duties, which gives rise to uncertainty of whether financial institutions are granted the availability of SC continuously.

Given the stated over-arching purposes of the proposed rules (e.g. to reduce the regulatory burden on financial institutions subject to multiple rule-sets, through rule harmonization) and the similar policy objectives behind the recently-announced Project KISS (Keep It Simple, Stupid), we would appreciate it if the CFTC could clarify in its

amended rules that the financial institutions can continue to benefit from SC that pertain to 17 CFR 3.3 (the rule concerning CCO). In our view, corresponding regulations in Japan would be equivalent to the revised 17 CFR 3.3 in terms of objectives, effects and comprehensiveness and thus SC will still be available for financial institutions. If, however, the financial institutions can no longer rely on SC, this would result in significant additional costs, which would outweigh the benefits to the financial institutions complying with these specific requirements.