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By email: OTCDConsultation@rba.gov.au
OTC Derivatives Central Clearing Consultation
Reserve Bank of Australia
GPO Box 3947
Sydney NSW 2001
AUSTRALIA

Dear Sirs:

We refer to the request by the Reserve Bank of Australia, on behalf of the agencies of the Council of Financial Regulators, for submissions in relation to the discussion paper on Central Clearing of Over-the-counter (OTC) Derivatives in Australia ("Discussion Paper") released on June 17, 2011. CLS Bank International ("CLS Bank") greatly appreciates the opportunity to make this submission.

CLS Bank provides the predominant settlement system for foreign exchange and provides a payment-versus-payment or "PvP" settlement service for 17 currencies (including Australian dollars) that represent an estimated 94 percent of the total daily value of FX swaps and FX forwards traded globally. CLS Bank was created nearly a decade ago out of the collaborative efforts of FX market participants and a number of central banks specifically to serve this function. Over the years, CLS Bank has grown consistently with the FX market to mitigate what is generally considered to be the primary risk in FX transactions, namely settlement risk. Today, CLS Bank serves over 60 Members, all of which are financial institutions subject to prudential regulation, and over 12,000 third-party users. While CLS Bank is owned by many of the largest participants in the FX market, it continues to acknowledge and further the dual public-private purpose that gave rise to its creation. The Reserve Bank of Australia, which has oversight over CLS Bank pursuant to *The Protocol for Cooperative Oversight of CLS*,¹ has been provided with extensive information about CLS Bank.

This submission is limited to one aspect of the Discussion Paper. The Discussion Paper notes that the agencies of the Council of Financial Regulators would expect that FX swaps and forwards would be exempted from any Australian mandatory clearing requirements.² CLS Bank supports this exemption and notes that, as mentioned in the Discussion Paper, the US Treasury Secretary has proposed an exemption for FX swaps and forwards from mandatory clearing requirements under the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010. CLS Bank believes that consistency in approach from regulators in this regard is important.

¹ http://www.federalreserve.gov/paymentsystems/cls_protocol.htm.

² Discussion Paper, paragraph 4.2.



CLS Bank would be happy to speak with the Reserve Bank or the Council agencies in relation to any further developments in relation to the Discussion Paper, or generally to discuss any future developments with respect to clearing and settlement systems. If you or your colleagues have any questions regarding this submission, please do not hesitate to contact CLS Bank's Australian counsel, Mr. Scott Farrell (scott.farrell@mallesons.com; + 612-9296-2142) of Mallesons Stephen Jaques or Lauren Alter-Baumann at 212-943-2438.

Thank you for your consideration.

Yours faithfully,

A handwritten signature in black ink, appearing to read 'Lauren Alter-Baumann'. The signature is stylized and cursive.

Lauren Alter-Baumann