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Attention: Manager, Financial Markets Unit

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### **Implementation of a framework for Australia's G20 over-the-counter derivatives commitments**

Dear Sirs

This letter contains comments by Deutsche Bank AG ("DB") with regard to the April 2012, consultation paper issued by the Treasury on the implementation of a framework for Australia's G20 over-the-counter derivatives commitments.

DB is a leading global investment bank with a substantial retail banking and private client franchise. The bank is a significant participant in the OTC derivatives markets both internationally and in Australia. DB established a representative office in Australia in 1974 and since then has become one of Australia's leading investment banks.

DB is also an active participant in the clearing of OTC derivative transactions established in other jurisdictions such as Singapore, Japan, United Kingdom and the United States. DB is a clearing member of central clearing organisations and in addition provides access to clearing services for non-member market participants where applicable.

DB has taken an active role in responding to the discussion paper issued by Treasury, both via its engagement with the Treasury and other council of regulator agencies via a stakeholder consultation meeting, and with respect to industry initiatives including those coordinated by the Australian Financial Markets Association ("AFMA") and the International Swaps and Derivatives Associations, Inc ("ISDA").

We refer the Treasury to the responses from AFMA and ISDA with regards to the detailed questions contained within the consultation. We concur with the general principles raised by both groups and given that importance of the topic we would like to highlight several areas that we feel require careful consideration to maintain the integrity of Australian financial markets.



## International Alignment

Within the Australian OTC derivatives markets the largest component of transactions across all asset classes are undertaken between domestic financial institutions and offshore counterparties. The offshore counterparties are subject to a regulatory regime within their home jurisdiction which governs their global operations. It is important that the Australian derivatives reform considers the rule making process in offshore jurisdictions and where appropriate aligns the Australian regime with those of other jurisdictions. Global inconsistency could lead to

- The development of separate pools of liquidity driven by the reduction of offshore participants in the domestic markets due to increasing compliance costs. This could impact the liquidity available to domestic financial institutions.
- Difficulties for global financial institutions to comply with Australian regulations, due to conflict between the home country regulations, and those imposed for participants in the Australian markets. These are particularly relevant for the proposed clearing framework and the development of clearing solutions available to domestic market participants.
- Operational inefficiencies arising from the development of specific solutions for the Australia market and the difficulty for international Financial Markets Infrastructure groups to utilise existing systems in the local market.

DB appreciates the opportunity to participate in the consultation and looks forward to contributing to the discussion in whatever capacity is required. Please do not hesitate to contact me should you have any questions.

Yours faithfully,

A handwritten signature in black ink, appearing to read 'Peter Connor'.

Peter Connor  
Head of Markets Clearing, Asia Pacific  
Deutsche Bank