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May 26, 2016

The Honorable Mark Mazur
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The Honorable John Koskinen
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Re: *Report No. 1348 on Temporary Regulations Addressing Notional Principal Contracts With Nonperiodic Payments*

Dear Messrs. Mazur, Koskinen, and Wilkins:

I am pleased to submit the attached report of the Tax Section offering comments and recommendations on the Section 446 temporary and proposed regulations published on May 8, 2015, relating to the treatment of nonperiodic payments made or received pursuant to notional principal contracts ("NPCs").

These regulations were issued, in part, to address recent regulatory and market developments in NPC clearing and execution. Since the mid-2000s, market participants have been working towards the centralized clearing and standardization of NPCs. The Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 accelerated that process.

The Honorable Mark Mazur
The Honorable John Koskinen
The Honorable William J. Wilkins

May 26, 2016

We commend the Treasury and IRS for updating the regulations to reflect these changes to regulatory and market developments.

The standardization of many interest rate swaps and credit default swaps has resulted in more nonperiodic (generally, upfront) payments on NPCs. Our report recommends that the IRS and Treasury should harmonize the tax rules dealing with NPCs with the Dodd-Frank regulatory rules. In the alternative, we provide comments that are intended to clarify and simplify their application.

We very much appreciate your consideration of these recommendations and would be happy to discuss them with you or provide additional assistance.

Respectfully submitted,



Stephen B. Land
Chair

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