sifma

asset management group

March 15, 2019

Mr. Christopher Kirkpatrick
Secretary
Commodity Futures Trading Commission
1115 21st Street, NW
Washington, DC

Re: Swap Execution Facilities and Trade Execution Requirement Proposed Rule and Post-Trade Name Give-up on Swap Execution Facilities (*RIN 3038-AE25* and *RIN 3038-AE79)*

Dear Mr. Kirkpatrick:

The Securities Industry and Financial Markets Association's Asset Management Group ("**SIFMA AMG**")[1] appreciates the opportunity to submit comments on the proposed revisions to the regulations of swap execution facilities ("**SEFs**") and the trade execution requirement ("**Proposal**") published by the U.S. Commodity Futures Trading Commission ("**CFTC**" or "**Commission**") on November 30, 2018.[2] SIFMA AMG also submits comments in response to the Commission's request for comment related to post-trade name give-up on SEFs.[3]

We believe that there are many aspects of the current swaps regime that function well, including providing asset managers with improved liquidity, expanded competition and pre- and post-trade price transparency. We support the Commission's efforts to re-evaluate the CFTC's current SEF regulations in light of five years of market experience, but we would recommend a more targeted set of enhancements. We agree with the Commission that any changes to the regulatory framework should promote the further development, innovation and the growth of the swaps market with the intent of attracting liquidity and increasing competition and price formation onto SEFs.

SIFMA AMG is supportive of the aspects of the SEF Proposal that would result in greater price transparency and trading opportunities for asset managers on behalf of their clients. However, as outlined in detail in this letter, SIFMA AMG is concerned about certain aspects of the Proposal that our membership believes would frustrate the statutory goals and threaten the progress that has already been made towards fair competition, liquidity and price transparency. Further, we view many aspects of the Proposal as interrelated, and if the Commission determines to proceed with this broad overhaul, we would urge the Commission to review our comments and recommended changes holistically and not to implement any one proposal independently without considering the overall market impact. Our comments herein are intended to address the Commission's questions on how to enhance the current SEF framework and ensure that the Proposal will not disrupt our members' access to liquidity and price discovery on SEFs.

[1] SIFMA AMG brings the asset management community together to provide views on U.S. and global policy and to create industry best practices. SIFMA AMG's members represent U.S. and global asset management firms whose combined assets under management exceed $45 trillion. The clients of SIFMA AMG member firms include, among others, tens of millions of individual investors, registered investment companies, endowments, public and private pension funds, UCITS and private funds such as hedge funds and private equity funds. They use futures and cleared swaps, as well as other derivatives, for a range of purposes, including as a means to manage or hedge investment risks such as changes in interest rates, exchange rates, and commodity prices.
[2] *Swap Execution Facilities and Trade Execution Requirement*, 83 Fed. Reg. 61946 (Nov. 30, 2018).
[3] *Post-Trade Name Give-Up on Swap Execution Facilities*, 83 Fed. Reg. 61571 (Nov. 30, 2018) (the "**Name Give-Up Request for Comment**").

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Our comments are informed by our members' extensive experience operating under the current SEF regime. We have organized our comments based on the portions of the Proposal that are of particular interest to our diverse membership.

Specifically, we comment on the following:

- Trade Execution Requirement: SIFMA AMG proposes an alternative solution for expanding the trading mandate: a streamlined process with market participant input for making products mandated to trade.
- Execution Methods: SIFMA AMG supports expanding the permissible execution methods; provided that they allow for pre-trade price transparency, promoting trading on SEFs, providing access to liquidity and supporting impartial access.
- Impartial Access: SIFMA AMG proposes that the current impartial access guidance should be codified in lieu of the approach in the Proposal.
- Pre-Execution Communications: SIFMA AMG believes that the current Proposal does not properly take into account that client communications with dealers are already captured under CFTC Regulations 23.201, 1.31 and 1.35 and therefore, proposes to maintain the current approach in the rules for the dealer-to-client market.
- Block Trades and Package Transactions: SIFMA AMG believes that the existing approach to Block Trades is appropriate and therefore, suggests codifying the current approach in the CFTC guidance and rules. SIFMA AMG proposes an alternative approach to the Proposal's trading requirement and pre-execution communication restrictions on Package Transactions.
- Straight Through Processing: SIFMA AMG recommends that the Commission codify the current approach in the CFTC guidance, which has successfully reduced operational, credit and market risk and respectfully disagrees with the new approach in the Proposal.
- Market Participant Definition: SIFMA AMG supports the Commission's proposed definition of "market participant."
- Name Give-Up: SIFMA AMG believes that post-trade name give-up is unnecessary for anonymously-executed cleared swaps.
- SEF Registration; Error Trades and Trade Documentation: SIFMA AMG is supportive of these Proposals to the extent that they are implemented in a way that improves market function for asset managers.

Based on SIFMA AMG's meeting with CFTC Chairman Giancarlo on the Proposal and Chairman Giancarlo's subsequent keynote address before the ABA Business Law Section, Derivatives & Futures Law Committee in late January, we understand that the Commission's approach to certain aspects of the Proposal has shifted considerably since the November 30th release date, largely due to industry input.[4] Therefore, this letter aims to not only address the content of the Proposal as published, but successive Commissioner rationale and statements regarding aspects of the Proposal, including those discussed in other meetings SIFMA AMG has conducted prior to the close of the comment period with Commissioners and CFTC Staff.

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[4] J. Christopher Giancarlo, CFTC Chairman, *Keynote Address Before the ABA Business Law Section, Derivatives & Futures Law Committee Winter Meeting* (Jan. 25, 2019), *available at* https://www.cftc.gov/PressRoom/SpeechesTestimony/opagiancarlo63. ("**ABA Keynote Address**"). The Chairman stated he "met with a dozen and a half major participants in global swaps markets, including all of the leading SEF platforms, major bank and non-bank swaps dealers and market makers, and major asset managers and other buy-side institutions." SIFMA AMG and its members participated in one of these meetings.

I. SIFMA AMG Does Not Support the Expanded Trade Execution Requirement As Set Forth in the Proposal

A. *The Proposal Would Mandate Swaps for Trading Without Meaningful, Substantive Analysis*

As the Commission is aware, SIFMA AMG members and other market participants have expressed concerns with the current framework for determining whether mandatorily cleared swaps should be "Made-Available-To-Trade" ("**MAT**") and therefore, subject to mandatory execution on a SEF or designated contract market ("**DCM**").[5] Under the current MAT process, SEFs and DCMs are not required to demonstrate that there is proven liquidity in a particular swap and that they can operationally support buy-side access to trading such a swap on their platform.[6] More importantly, under the MAT application process, market participants are not guaranteed an opportunity to weigh in on whether a swap should be subject to MAT (i.e. "**MAT'd**").

Unfortunately, the Proposal does not address these existing concerns and in fact, goes in an opposite direction by eliminating the MAT process all together. The Proposal requires swaps that are subject to the clearing mandate and listed on a SEF or DCM to automatically be subject to the Trade Execution Requirement ("**TER**"). In essence, a swap could be MAT'd and thus, subject to the Mandatory Trading Requirement merely based on it being listed on *any* DCM or SEF. This would significantly expand the number of swaps subject to the Mandatory Trading Requirement with no real substantive analysis of whether there is sufficient liquidity available to market participants on such SEF or DCM and if they can operationally support trading on their platform (e.g., connectivity to asset managers' order management systems). Absent a robust MAT Process and consideration of these and other gating issues, asset managers may be effectively shut out from accessing liquidity in certain products for their clients.

Further, the TER, in its current iteration, may result in situations where a mandatorily cleared swap has been listed by a single SEF, but such a swap does not generate any trading activity beyond a limited number of transactions. SIFMA AMG believes such a swap should not be considered to have sufficient trading volume to be brought within the scope of the expanded TER. In addition, SIFMA AMG is concerned that a lack of access to liquidity will be further exacerbated by other factors, such as the elimination of impartial access under the Proposal such that a swap could be listed on a single SEF, which customers cannot access. Unlike liquidity makers, asset managers are not typically connected to all or most SEFs, so asset managers may not have immediate access to liquidity unless asset managers spend the time and resources to connect to the relevant SEF. Other regulatory or operational challenges (e.g., lack of weighted average pricing or the requirements for pre-trade credit checks for order book trades) also provide problematic outcomes to the TER. Finally, by not ensuring that appropriate SEF trading functionalities are in place for all swaps subject to the TER, the Commission will run the risk of effectively banning trading in such products, until such SEF functionalities are established.

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[5] *See* SIFMA AMG, *Comment on the Division of Market Oversight's Public Roundtable Regarding the Made Available to Trade; Request for Further Relief from Trade Execution Requirements for Package Transactions* (Aug. 17, 2015), *available at*https://www.sifma.org/wp-content/uploads/2017/05/sifma-amg-submits-comments-to-the-cftc-on-made-available-to-trade-determinations.pdf. We refer to the regulations of the Commission, set forth in 17 C.F.R. §§ 1, *et seq.* as the "Commission Regulations."

[6] Indeed, Commissioner Behnam has stated that "the MAT process is seemingly broken." Rostin Behnam, CFTC Commissioner, *Concurring Statement of Commissioner Rostin Behnam Regarding Swap Execution Facilities and Trade Execution Requirement* (Nov. 5, 2018), *available at* https://www.cftc.gov/PressRoom/SpeechesTestimony/behnamstatement110518a.

We agree with Commissioner Berkovitz's dissent that the TER approach may not result in increased liquidity. The Commissioner writes:

> In asserting that the expanded execution mandate will increase on-SEF liquidity, the Proposal appears to measure liquidity solely in terms of volume. But volume does not equal liquidity. It is not apparent how simply moving this volume from off SEF to being traded within a SEF will have any effect on other traditional measures of liquidity, such as cost of transaction or price dispersion. Indeed, the only difference is that the swaps would be traded on SEF, but by the same people and using the same methods that they now use to trade them off SEF. It is not apparent how this would lead to any greater price transparency or lower costs.[7]

We also understand that the Commission might suggest that the combination of the transitional compliance schedule and the TER Form process would address the functionality and readiness issues presented by the expanded TER. We believe such Proposals do not allow for extended market participant input and therefore are not sufficient. We would ask the Commission to consider our alternative proposal as discussed immediately below.

B. *SIFMA AMG's Alternative Proposal: Rely on MAT Factors as well as Additional Factors with Public Comment*

SIFMA AMG has significant concerns about the TER Proposal as described above and instead sets forth an alternative approach in this section. Our proposal addresses the Commission's aims to facilitate increased trading and liquidity on SEFs, capture a greater number of swaps with different liquidity profiles, foster customer choice and promote competition between and innovation by SEFs. However, it would also address SIFMA AMG's principal concern of not subjecting our members to the TER for products that experience shallow liquidity on SEFs, or worse, are not suitable for trading on SEFs. SIFMA AMG proposes fixing known and identified problems with the MAT process without making MAT standards synonymous with the clearing requirement.

We also appreciate that Chairman Giancarlo recognizes the need for an independent assessment of trading liquidity as envisioned by Congress, and agree that "bringing swaps subject to the clearing mandate into scope of the trading mandate should be done properly and, perhaps, in stages with a relative degree of consensus of buy-side, sell-side and major SEF market participants."[8] Therefore, our proposal includes both a degree of objective criteria and market consensus. We believe that our proposal, once implemented and over time as the industry gains experience, will lead to a streamlined process to mandate the trading of swaps.

As an initial matter, SIFMA AMG believes that the universe of swaps that must be executed on SEFs should remain a subset of the universe of swaps mandated for central clearing. This reflects the fact that the necessary market conditions that make central clearing appropriate are different from the necessary market conditions that make execution mandatory on a SEF or DCM appropriate. As such, it is proper that there are different, additional standards that must be met for a swap to be subject to the SEF trading requirement than for a swap to be subject to the clearing requirement. Therefore, requiring mandatory execution of certain mandatorily-cleared swaps on SEFs requires consideration of additional factors pertinent to the trading of such swaps. As proven by past experience, we do not believe self-certification on the part of SEFs

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[7] Dan M. Berkovitz, CFTC Commissioner, *Dissenting Statement of Commissioner Dan M. Berkovitz Regarding Proposed Rulemaking on Swap Execution Facilities and Trade Execution Requirement* (Nov. 5, 2018), *available at* https://www.cftc.gov/PressRoom/SpeechesTestimony/berkovitzstatement110518a.
[8] ABA Keynote Address.

is a sufficient check on listing new products and could easily result in products being MAT'd before sufficient liquidity was evidenced on SEFs.

These factors include each of the six factors set forth in Commission Regulation 37.10 and the additional factors proposed by SIFMA AMG after the Commission's July 2015 Roundtable on Made Available to Trade and Package Transactions.[9] Under Commission Regulation 37.10, SEFs can submit a MAT application on the basis of six factors: (1) whether there are ready and willing buyers and sellers (qualitative factor); (2) the frequency or size of transactions (quantitative factor); (3) the trading volume (quantitative factor); (4) the number and types of market participants (quantitative/qualitative factor); (5) the bid/ask spread (quantitative factor); or (6) the usual number of resting firm or indicative bids and offers (quantitative factor) (collectively, the "**MAT Factors**").[10]

Currently, Commission Regulation 37.10 only requires a SEF's submission "consider*"* the MAT Factors "as appropriate," and a SEF is not required to demonstrate that all six factors support the MAT determination.[11] Going forward, SIFMA AMG proposes that all of the MAT Factors (in addition to the additional factors described below) must be considered for requiring mandatory trading. The aim of the MAT Factors is to measure trading liquidity available on SEFs, separate and apart from the Commission's prerequisite determination that sufficient market liquidity is present to impose mandatory clearing.[12] Additionally, to promote SEF trading and avoid any market disruptions, SIFMA AMG believes that the Commission should assess the MAT Factors on the basis of the current trading activity of the relevant swaps on SEFs and in the aggregate in order to determine whether there is proven liquidity on SEFs to support mandatory trading.

Based on the experiences of our members executing on SEFs, SIFMA AMG proposes that the Commission expand the MAT Factors to also mandate evidence demonstrating that the SEF submitting a "Trading Requirement Filing" (discussed below) has the requisite infrastructure to support mandatory SEF trading by: (a) adding an assessment of technological readiness, such as necessary trading protocols and quoting conventions and (b) requiring threshold numbers of SEFs and dealers transacting in the swap.

We discuss the additional factors in detail below. As noted above, while the expansion of the MAT Factors may be viewed as requiring more intervention and resources by the CFTC, we believe that ultimately the revised approach will lead to a streamlined process for a trading requirement (the "**Streamlined Trading Requirement**").

<u>Technological Readiness is Fundamental to the Ability to Trade on SEF</u>

Technological readiness is a fundamental requirement for a trading mandate determination given that once a trading mandate is effective, the ability of SIFMA AMG members and other market participants to

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[9] *See* SIFMA AMG, *Comment on the Division of Market Oversight's Public Roundtable Regarding the Made Available to Trade; Request for Further Relief from Trade Execution Requirements for Package Transactions* (Aug. 17, 2015), *available at* http://www.sifma.org/comment-letters/2015/sifma-amg-submits-comments-to-the-cftc-on-madeavailable-to-trade-determinations/. We refer to the regulations of the Commission, set forth in 17 C.F.R. §§ 1, *et seq.* as the "Commission Regulations."

[10] 17 C.F.R. § 37.10. We note which of these factors we consider quantitative or qualitative. Distinguishing these factors can assist in streamlining the overall process.

[11] *Id.*

[12] SIFMA AMG, *SIFMA AMG Submits Comments to the CFTC on SEF Regulatory Framework and Related Rules.* (May 11, 2015) at 3, *available at* http://www.sifma.org/issues/item.aspx?id=8589954630 (Click on Green PDF Icon).

trade off-SEF will be eliminated for that particular contract or set of contracts.[13] When SEFs first went live, asset managers experienced significant trading issues with the SEF interfaces with dealers, middleware providers and clearinghouses. While many of these initial issues have since been addressed, the current connectivity between the dealers, other market participants and SEFs is not sufficiently established to efficiently and cost effectively onboard new contracts.

Sufficient Liquidity Must Be Available on SEFs Before a Trading Mandate

Before any trading mandate determination is made, it is imperative that the Commission assess whether there is sufficient liquidity on SEFs. SIMFA AMG believes that there should be a minimum of three liquidity providers available on the relevant SEFs to provide options and to support best execution. Currently, a number of package transactions, including package transactions involving the Market Agreed Coupon ("**MAC**") swap, lack sufficient market participants to trade on SEFs. Additionally, SIFMA AMG believes that there should be a minimum of two SEFs offering the particular swap in order to avoid any trading disruptions in the event of any technological or other issues with a single SEF and to thwart attempts by one SEF to garner a monopoly by being the first to make a Trading Requirement Filing. The SEFs should be accessible to buy-side participants, as not all SEFs allow for buy-side participation. If neither SEF allows for buy-side participation, this could effectively lock out asset managers from trading such swap and therefore, there should be an opportunity for SIFMA AMG members to highlight this concern prior to a MAT determination being made. Please see our comments regarding the need for a public comment period as described below.

The Streamlined Trading Requirement

The Streamlined Trading Requirement would proceed as summarized below. After a SEF has listed a product for an acceptable period of time (as determined by the Commission), the SEF can then make a substantive filing – a Trading Requirement Filing – with the Commission with respect to the aforementioned information. This process shares common features with the TER Form proposed by the Commission in its Proposal. However, the filing would trigger a comment and review period. One aspect of the review period would allow for public comment. The other aspect of the review period would allow for the Commission to review the filing and comments. At that point, the filing would either be approved or denied. We envision this process proceeding expeditiously and we understand it would require amendment of the relevant sections of regulations.[14]

Similar to the Commission's proposed TER Form, the Streamlined Trading Requirement would allow for SEFs to provide the Commission with a list of swaps that satisfy the MAT Factors, as well as the additional factors proposed by SIFMA AMG. Then, the industry can properly weigh in on whether a

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[13] While we understand that the approach of the Commission in the Proposal would allow flexible methods of execution that would not be technology-based (i.e. phone or basic messaging), we believe that workflow efficiencies and technology should be determinative in mandating SEF trading. In other words, if technology cannot be used in executing a swap, then it should not be mandated for SEF trading. This includes certain package transactions and swaptions.

[14] We agree with the Commission that Section 2(h)(8) of the CEA does not explicitly require the formulation of a MAT process. However, Congress recognized that it is essential that SEFs maintain sufficient liquidity for the swaps subject to the trading mandate and underscored the importance of developing liquid markets, and not just listed markets, in the swaps traded on a SEF. For this reason, the CEA supports the view that there should be an independent determination as to whether or not a particular swap possesses adequate liquidity to be traded on a SEF and that such determination should be made separate from the clearing determination. Section 5h(d)(1) of the CEA states that: "[the CFTC] may promulgate rules defining the universe of swaps that can be executed on a swap execution facility. These rules shall take into account the price and nonprice requirements of counterparties to a swap and the goals of [promoting trading of swaps on SEFs and pre-trade price transparency]." 7 U.S.C. § 7b-3(d)(1).

product should be subject to the Mandatory Trading Requirement. While we understand that the above requires significant time and resources by the Commission, we believe that a Federal trading mandate warrants such time and careful consideration by the Commission. We acknowledge the existing MAT process has stifled innovation and propose our Streamlined Trading Requirement engenders experimentation and industry engagement, both avowed goals of the Proposal. We also note, as discussed further in Part III, implementation of the Streamlined Trading Requirement alone will not result in more competitive markets, it requires the codification of existing impartial access guidance.[15]

The Streamlined Trading Requirement would also acknowledge that certain products, even cleared products, should remain as bilaterally negotiated off-venue trades. Any new trading requirement should be phased in over a reasonable period of time in order to allow for preparation for SEF trading and connectivity. Package transactions should be reviewed for mandatory trading consideration as a single, integrated unit rather than solely based on its swap components. Therefore, package transactions should not be subject to mandatory trade execution requirement solely because at least one leg is a MAT swap. This is because the liquidity, operational readiness or regulatory approvals or certainty for executing packages differ from the MAT swap component.

As the markets move away from swaps based on LIBOR, SEFs will need to create liquidity around so-called LIBOR replacement swaps. Therefore, the process we outline herein is crucially important. The Streamlined Trading Requirement will ensure LIBOR replacement swaps are not mandatorily traded before there is adequate liquidity on SEFs.[16]

II. Enhanced Flexibility for SEFs to Offer Different Execution Methods Must be Balanced with Liquidity, Transparency, and Competition Considerations

SIMFA AMG is Generally Supportive of More Flexible Execution Methods with Certain Important Modifications.

We agree with the general proposition that SEFs should be permitted to allow additional methods of execution.[17] By expanding available methods of execution, SEFs may be better-situated to attract liquidity, adapt to future technological innovations, and promote more SEF trading. Therefore, we support the Commission's decision to consider additional trading protocols to facilitate SEF trading of a more diverse range of swaps contracts. However, we believe that all execution methods should meet certain minimum requirements.

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[15] *See* Proposal at 61994, n. 395 (*citing* CFTC, *Division of Clearing and Risk, Division of Market Oversight and Division of Swap Dealer and Intermediary Oversight Guidance on Application of Certain Commission Regulations to Swap Execution Facilities*, CFTC Staff Guidance (Nov. 14, 2013) , *available at* https://www.cftc.gov/sites/default/files/idc/groups/public/@newsroom/documents/file/dmostaffguidance111413.pdf ("2013 Staff Impartial Access Guidance").

[16] We also recognize that as LIBOR replacement swaps are subject to the Mandatory Trading Requirement, the Commission will need a method to address how to reverse a Mandatory Trading Requirement. We would propose that the Commission study this specific issue to ensure a smooth transition.

[17] *See generally*, SIFMA AMG, *Recommendations regarding Swap Execution Facilities* (May 17, 2017), *available at* https://www.sifma.org/wp-content/uploads/2017/05/SIFMA-AMG-Provides-Updated-Recommendations-to-the-CFTC-regarding-Swap-Execution-Facilities.pdf (stating "AMG believes the Commission should: Expand permitted modes of swap execution for swaps mandated for trading on SEFs ('Required Transactions') in order to provide for a less prescriptive, more principles-based approach that balances transparency, competition, and liquidity through a flexible set of rules; any means of execution that provides sufficient pre-trade price transparency and preserves competitive execution should be available.").

We note that RFQ-3 was an important development for the swaps market, which resulted in tighter prices and empowered our members to demand better pricing. A doctoral thesis presented to the École Polytechnique Fédérale de Lausanne found that CDS trading costs decreased by 40-50% for clients during the two-and-a-half year period during which Dodd-Frank Regulations were implemented.[18] As set forth in the Proposal itself and Commissioner Berkovitz's dissent, empirical evidence demonstrates that the Order Book/RFQ-3 for standardized, highly liquid cleared swaps have increased competition and transparency and brought low trading costs to swaps markets.[19] The aforementioned benefits should be protected as additional methods of execution are introduced.

Therefore, despite the fact that SIFMA AMG is generally supportive of more flexible execution methods, it expects the Commission to ensure that any new trading protocols comply with the SEF Core Principles and the CEA.[20] We believe the approach would include providing sufficient pre-trade price transparency, promoting trading on SEFs,[21] providing access to liquidity and supporting impartial access. Commissioner Berkovitz has said that the approach should include "pre-trade transparency, electronic trading, and the ability of participants to interact with each other, not just a single dealer."[22].

Similar to the suggestion in Part I with respect to the TER, SIFMA AMG recommends that as new methods of execution are proposed by SEFs that market participants are given an opportunity to provide their feedback to the Commission. We note that the newly proposed flexibility may increase the cost and complexity of compliance with SEF rules. Market participants will need time to create compliance policies and procedures around each new execution method a SEF introduces. The operational and onboarding costs and efforts would be part of the feedback to the Commission.

While we are generally supportive of the flexible executions methods aspect of the Proposal, we view it as intertwined with the TER and the importance of ensuring asset managers have access to all execution methods on all SEFs. If liquidity is no longer a required consideration in determining which swaps must be executed on a SEF then the flexible execution methods are less beneficial to the market as a whole. There is no guarantee that the market will offer the best method of execution for each product and this could be problematic if SEFs, vying for market share, render more and more products subject to the Mandatory Trading Requirement. Similarly, if the revisions to impartial access rules mean that asset managers are unable to access specific execution methods, then the flexible execution methods are less beneficial to the market. Overall, expanding execution methods is not a sufficient substitute for a robust MAT process, such as the Streamlined Trading Requirement discussed above.

Further, in order to develop innovative execution methods that would benefit investors, SIFMA AMG encourages the Commission to work with market participants and SEFs to enable average pricing for buy-side swap trades. As noted by Commissioner Berkovitz, "[a]lthough average pricing is available for futures, it currently is not available for swaps, which limits the direct participation of buy-side asset managers

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[18] Jan Benjamin Junge, *Essays on the Market Structure and Pricing of Credit Derivatives*, Thesis No. 7322 (Nov. 2016), *available at* https://infoscience.epfl.ch/record/222511/files/EPFL_TH7322.pdf.
[19] *See* Proposal at 62146.
[20] Section 5h(e) of the CEA provides that the goal of the SEF provisions "is to promote the trading of swaps on swap execution facilities and to promote pre-trade price transparency in the swaps market."
[21] Section 1a(50) of the CEA defines a SEF as follows: "a trading system or platform in which multiple participants have the ability to execute or trade swaps by accepting bids and offers made by multiple participants in the facility or system, through any means of interstate commerce, including any trading facility, that — (A) facilitates the execution of swaps between persons." 7 U.S.C. § 1a(50).
[22] Dan M. Berkovitz, CFTC Commissioner, *Keynote Address of Commissioner Dan M. Berkovitz at DerivCon 2019, New York, New York* (Feb. 27, 2019), *available at* https://www.cftc.gov/PressRoom/SpeechesTestimony/opaberkovitz2.

on SEFs."[23] We believe the issue of average pricing for swaps trading could be explored through the Commission's Technology Advisory Committee or a LabCFTC innovation contest.

III. Concerns with the Proposed Amendments to Impartial Access Requirements

A. *SIFMA AMG Believes the Proposal Weakens Impartial Access and Thereby Creates an Uneven Playing Field*

SIFMA AMG believes that permitting barriers to access creates an uneven playing field — only select participants will ultimately gain access to certain levels of liquidity or competitive pricing. SIFMA AMG generally believes that access to SEFs should remain open to all participants who satisfy impartial and non-discriminatory standards. Clear statutory language establishes impartial access as an important requirement for SEFs. Under Section 5h(f)(2)(B) of the CEA, each SEF is required to establish "means to provide market participants with impartial access to the market."[24]

However, as Commissioner Berkovitz sets out in his dissent, allowing access based on the type of entity will permit SEFs to provide exclusive pools of liquidity for the largest dealers.[25] By not permitting other market participants access to the most favorable prices in the dealer-to-dealer market, customers will not be able to cost-effectively compete. A lack of competition will result in higher prices for customers, including our members' clients. Permitting SEFs to operate in this manner is inconsistent with sound economic principles underpinning competitive markets and the CEA's impartial access requirement noted above.

The similarly "situated market participants" approach of the Proposal allows SEFs to build limited liquidity pools for a select few market participants. An access issue arises when a market participant is required to trade a specific swap on SEF, but cannot gain access to a SEF with adequate and deep liquidity for a mandated trade. This is why any swap subject to mandatory trading must be analyzed to carefully consider "the number and types of market participants, both on the swap execution facility and in the aggregate."[26]

Proprietary trading firms and smaller dealers provide competition to the large swap dealers in pricing swaps. This competition can result in favorable prices through the current RFQ process.[27] With the Proposal, these other types of firms would not be able to use the dealer-to-dealer market to effectively hedge or offset trades with customers, and therefore would not be able to compete with the large swap dealers in the dealer-to-customer market. In this manner, the proposed impartial access rules would result in a significant loss of competition in the dealer-to-customer market, which ultimately would result in higher prices.[28] The proposed impartial access rules would also undermine transparency, as they would limit the ability of market participants to access, observe and analyze pricing data across SEFs.

When viewed in conjunction, the new TER proposal and the proposed impartial access rules are especially problematic. We agree with Commissioner Berkovitz's dissent where he states, "dealers also could establish single-dealer platforms and call them SEFs to siphon liquidity away" from other platforms.[29] An improved TER structure without robust impartial access rules would not result in a competitive market.

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[23] Proposal at 62145.
[24] CEA § 5h(f)(2)(B).
[25] Proposal at 62144.
[26] 17 C.F.R. § 37.10.
[27] *Id*. at 62146.
[28] *Id*.
[29] *Id*.

The proposed impartial access rules are also problematic when viewed in conjunction with the Proposal for more flexible methods of execution. We also have concerns that the expanded definition of execution could allow platforms that only offer bilateral trading protocols, such as single-dealer pages. This outcome could reduce participation and liquidity on the RFQ platforms, over time draining liquidity from RFQ-3 platforms. This in turn, would result in less direct competition between dealers, less transparency, and higher costs for customers.[30] If promotion of trading on SEF and pre-trade price transparency on SEFs are the goals of the Commission, then it would stand to reason that the impartial access requirements where the only limitations are ECP status and technology requirements would best promote such an environment.

B. *SIFMA AMG Suggests Improvements to the Proposal*

Instead of altering the Commission's current approach with respect to impartial access and permitting SEFs to discriminate, SIFMA AMG recommends codifying the current impartial access guidance, which allows a SEF to restrict access based on a disciplinary history or financial or operational soundness, if objective pre-established criteria are used, but does not allow a SEF to restrict access to certain types of participants.[31] The current approach is designed to establish a level playing field among market participants and ensure SEF membership requirements are truly "fair, unbiased, and unprejudiced." In addition, a SEF's membership requirements should be closely reviewed and approved by the Commission and subject to public comment.

IV. <u>SIFMA AMG Disagrees with the Commission's Proposal to Limit Pre-trade Communications for the Dealer-to-Customer Market</u>

While the current SEF regime is prescriptive as to trading methods, it is generally flexible as to permitted, pre-trade communications between parties.[32] The Proposal, on the other hand, prohibits SEF participants from engaging any pre-trade execution communications (including for trades currently exempt from SEF trading under the rules for block trades). As discussed in Part I, if the Proposal were adopted as written, a greater number of swaps would be subject to the Mandatory Trading Requirement, narrowing the applicability of the proposed pre-execution communication exception. SIFMA AMG understands the Commissions concerns related to the use of voice and introducing brokers in dealer-to-dealer transactions to limit price formation and pre-trade communications on-SEF for even the most liquid swaps. SIFMA AMG believes the Commission should consider limitations to the SEF pre-trade communication requirement to the dealer-to-dealer transaction involving voice and introducing broker communications, which addresses the Commission's concerns without placing limits on dealer-to-customer trading. Disrupting dealer-to-customer pre-trade communications does not provide any apparent benefit to the functioning of SEFs or markets.

There are significant obstacles to implementing the Proposal as written in the dealer-to-customer market. The Proposal provides no concrete definition of pre-trade communications. A large portion of swaps trading done by asset managers and other buy-side firms is more episodic, than continuous, and evaluates multiple different types of similar structures, with large program trades occurring over days or weeks. It is unclear when such discussions would graduate from "market color" into prohibited pre-trade communications. If adopted in its current iteration, the Proposal would stymie asset managers' access to

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[30] *Id.*

[31] 2013 Staff Impartial Access Guidance; Rostin Behnam, CFTC Commissioner, *Statement of Concurrence of Commissioner Rostin Behnam Regarding Swap Execution Facilities and Trade Execution Requirement* (Nov. 5, 2018), *available at* https://www.cftc.gov/PressRoom/SpeechesTestimony/behnamstatement110518a.

[32] 17 C.F.R. § 37.9(b). As the Proposal notes, pre-execution communications restrictions are not generally applicable in the context of an RFQ workflow. *See* Proposal at 61986.

market color, which is necessary to allow them to better evaluate alternative trade structures, which ultimately benefits investors.

Based on the above, SIFMA AMG disagrees with the Commission's limitations on pre-execution communications applying to the dealer-to-customer market. Migrating all pre-execution communications onto a SEF platform would be a costly endeavor considering market participants would need to develop interconnectivity to communications systems and monitor their activity on such systems in order to fulfill their supervisory and recordkeeping obligations under the Proposal. SEFs would also have to build new communication systems and surveillance programs, establish adequate controls to ensure regulatory compliance and determine how to integrate communications with other SEFs. Off-SEF pre-execution communications are already subject to CFTC oversight.[33] Recordkeeping and reporting rules, which include audit trail requirements for pre- and post-execution records of all communications with clients, provide SEFs and the Commission with insight into such activity. Additionally, SEFs may request such information from their participants and the CFTC has broad supervisory authority over its registrants. Therefore, there is no benefit provided by having both market participants and trading platforms comply with the proposed limitations on pre-trade execution communications.

Finally, the Proposal raises significant concerns with respect to privacy and confidentiality of commercially sensitive communications. SEF participants would have to tolerate having commercially sensitive information captured on third-party platforms. This creates opportunities for information leakage and conflicts of interest, and triggers additional privacy requirements in non-U.S. jurisdictions. In order to circumvent the potential conflicts of interest, SEFs would need to develop data use policies and protections for their participants, in addition to on-going monitoring programs. Such efforts would place additional cost burdens on SEFs without commensurate benefit for any market participants. The Proposal would likely cause buy-side firms to consolidate their trading and communication to one or two SEFs for practical and technological reasons, frustrating innovation and market development.

SIFMA AMG not only finds the limitations to pre-trade execution communications overly prescriptive but sees little benefit to the Proposal, particularly with respect to the inclusion of asset managers and other buy-side firms. We also add that, as currently drafted, the Proposal goes against the spirit of the Data Protection Initiative recently announced by Commissioner Dawn D. Stump which aims to "audit the current state of affairs at the CFTC and ensure that [the agency] only collect[s] data required for [its] regulatory responsibilities [and] remove duplicative reporting streams…"[34]

V. <u>The Proposal's Approach to Requiring On-SEF Block Trades and Package Transactions Would Disrupt the Market</u>

SIFMA AMG disagrees with the new approach to block trades set forth in the Proposal, namely that all block trades take place on-SEF with pre-execution communication restrictions. Here, the status quo should be maintained.

The ability to execute blocks on or pursuant to the rules of a SEF after bilateral pre-arrangement should be retained as it enhances clients' ability to meet their risk management needs, under CFTC Regulation 1.73 and avoid risks of front-running. Block trades are currently executed in a manner that

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[33] Under Part 23 of the Commission's Regulations, swap dealers are required to maintain records of pre-execution communications. *See* 17 C.F.R § 23.201. In addition, where an introducing broker is involved in a transaction, there are similar recordkeeping requirements. *See* 17 C.F.R. §§ 1.31, 1.35.

[34] Dawn D. Stump, CFTC Commissioner, *Statement of CFTC Commissioner Dawn D. Stump on Data Protection Initiative* (Mar. 1, 2019), *available at* https://www.cftc.gov/PressRoom/SpeechesTestimony/stumpstatement030119.

permits fluidity of workflows and communications. SIFMA AMG would not want these aspects of transacting to change.

Some block trades in mandatorily cleared contracts (that will become mandatorily traded if the Proposal is adopted as is) are traded by fewer counterparties. Trading liquidity in these products can be less than liquidity in products currently subject to the TER, and combined with the presence of fewer participants, supports the approach that market participants should be able to conduct off-SEF pre-execution communications.

The inability to engage in such communications for blocks will result in market participants receiving less competitive pricing. The Commission should therefore preserve bilateral off-SEF execution since such trades typically are subject to protracted negotiations and complex pricing structures. Moreover, a flexible block execution regime permits trading of larger sized transactions in a manner that incentivizes dealers to provide liquidity and capital without creating market distortions.

Additionally, SIFMA AMG respectfully requests that package transactions continue to be executed via pre-trade communications, similar to block trades.[35] While the Proposal codifies a limited subset of packages involving MAT swaps, it does not address the ability to execute the full spectrum of package transactions through pre-trade communications. For example, in a package transaction including a Treasury product leg (i.e. Treasury note or bond or Treasury future) and a MAT leg, our members would not be able to execute the Treasury product leg as well as engage voice markets for the MAT swap. Therefore, members would have to trade both legs independently, which would result in higher transaction costs and less efficiency in our ability to manage the overall risk. As Commissioner Giancarlo noted in his swaps trading white paper, package transactions "are ill-suited to Order Book or RFQ System execution given their limited liquidity and complex characteristics."[36]

Further, we ask for relief where at least one individual swap component is subject to mandatory trading and at least one other component is a futures contract.[37] In such cases, market participants execute the swap components off-SEF pursuant to the requirements provided in the current CFTC no-action relief and execute the futures component through an Exchange for Related Position ("EFRP").[38] Without relief such transactions could not be executed as a package due to the fact that the only the swap leg could be executed on a SEF and the current DCM structure does not (i) provide access to the swaps utilized; and (ii) does not allow for the execution of EFRP trades where the related position component is traded on an exchange. This is another reason package transactions must be given greater flexibility when it comes to execution.

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[35] We note that our comments here should be read in conjunction with our comments related to package transactions in Section I.B.

[36] J. Christopher Giancarlo, Commissioner, CFTC, *Pro-Reform Reconsideration of the CFTC Swaps Trading Rules: Return to Dodd-Frank* (Jan. 29, 2015), *available at* http://www.cftc.gov/ucm/groups/public/@newsroom/documents/file/sefwhitepaper012915.pdf.

[37] The relief we request here could also extend to other types of package transactions (e.g., MAT swap vs options or equities). As discussed in Section I.B. above, we believe that all package transactions could be reviewed as a unit in order to determine whether a Package Transaction should be subject to a trading requirement.

[38] *See generally*, Proposal at 61987 – 61988 and n. 334, 339 (citing CFTC No Action Letter 17-55 (Oct. 31, 2017), *available at* https://www.cftc.gov/sites/default/files/idc/groups/public/@lrlettergeneral/documents/letter/17-55.pdf. We note that for certain package transactions, such as invoice swaps (i.e. MAT swap vs futures), current DCM rules do not permit execution of the MAT leg on a SEF and asset managers are not direct members of the DCMs, where the DCM could allow the Package Transaction to be executed.

VI. SIFMA AMG Does Not Support Modifying Current Straight-Through Processing Requirements

The Proposal modifies the current straight-through processing ("**STP**") requirements in two important ways. First, SEFs would no longer be required to submit intended-to-be-cleared transactions to a derivatives clearing organization ("**DCO**") within 10 minutes. Eliminating the current timeframe means that SEFs would be permitted to delay submission to the DCO following execution. Any such delay would increase market, credit, and operational risks for market participants. The current submission timeframes have resulted in a robust execution-to-clearing workflow that has facilitated SEF trading.

Second, the Proposal would remove the current prohibition on breakage agreements and allow SEFs to eliminate *void ab initio* for transactions that are rejected from clearing due to operational or clerical errors. This means that a SEF could opt to introduce breakage payments between SEF members in the event a transaction failed to successfully clear for operational or clerical reasons, complicating the current execution workflows on SEFs, and significantly disrupting liquidity conditions, as each pair of trading counterparties would potentially be required to put in place bilateral documentation in order to trade a cleared swap on a SEF.

Instead of altering the Commission's current approach with respect to STP, SIFMA AMG recommends codifying the current STP guidance. [39] Such STP requirements have been successfully implemented by market participants for over five years, and modifying them now would introduce significant market, operational, and credit risk, along with additional complexity and cost for market participants.

VII. SIFMA AMG Is Supportive of the Definition Market Participant That Does Not Include Asset Managers' Clients

The Commission proposes to define "market participant" as any person who accesses a SEF (i) "through direct access provided by a SEF; (ii) through access or functionality provided by a third-party; or (iii) through directing an intermediary that accesses a SEF on behalf of such person to trade on its behalf."[40] In addition, the proposed definition of "market participant" includes any person who accesses a SEF through access or functionality provided by a third-party; or through directing an intermediary, such as an asset manager, that accesses a SEF on behalf of such person to trade on its behalf.[41] We acknowledge that the SEF should have authority solely over participants who interface with or execute trades on or pursuant to the rules of the SEFs in order to safeguard against any misconduct (e.g. manipulation, spoofing, wash trading), but we agree that the definition should not extend to the clients of asset managers who have granted trading discretion to the asset manager. Therefore, SIFMA AMG is supportive of the approach in the Proposal.

VIII. Post-Trade Name Give-Up Proposal

Post-trade name give-up is the practice of disclosing the identity of each swap counterparty to the other after a trade has been anonymously executed. We note that the discussion of post-trade name give-up in the context of anonymous trading is completely distinct from and has no bearing upon trading protocols

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[39] *See e.g.,* CFTC, *Division of Clearing and Risk, Division of Market Oversight and Division of Swap Dealer and Intermediary Oversight Guidance on Application of Certain Commission Regulations to Swap Execution Facilities*, CFTC Staff Guidance (Nov. 14, 2013), *available at* https://www.cftc.gov/sites/default/files/idc/groups/public/@newsroom/documents/file/dmostaffguidance111413.pdf.

[40] Proposal at 61954.

[41] *Id.*

where parties voluntarily disclose their identities prior to trade execution, such as disclosed RFQ trading protocols and work-ups. SIFMA AMG does not seek to comment on, or propose altering, any existing or future practices with respect to disclosed trading protocols, such as RFQs and work-ups.

In its request for comment, the Commission asks (i) what benefits post-trade name give-up provides in SEF markets where trades are anonymously traded and cleared; (ii) does post-trade name give-up result in any burden on swaps trading or clearing and (iii) should the Commission intervene to prohibit or otherwise set limitations with respect to post-trade name give-up.[42] Below, we take each of these questions in turn and ultimately conclude that the practice of post-trade name give-up for anonymously-executed cleared swaps is unnecessary and does not provide any advantage to our members. We respectfully request the Commission to issue a proposal that does not permit this practice with respect to anonymously-executed cleared swaps on SEFs.

A. *Post-Trade Name Give-Up is Unnecessary for Anonymously-Executed Cleared Swaps*

Post-trade name give-up is not at issue for uncleared swaps because each party to the transaction needs to know the identity of its counterparty pre-execution because it has ongoing economic obligations to and is exposed to the credit risk of its counterparty for the duration of the swap.

However, post-trade name give-up is not necessary for anonymously-executed cleared swaps. In its comment request, the Commission correctly observed that the need for name disclosure for cleared swaps is less obvious because the intermediation by a DCO effectively eliminates individual credit risk and counterparty exposure.[43] A swap that is executed anonymously on a SEF and is intended to be cleared (i.e. an "alpha" swap) is extinguished as soon as it is accepted by a DCO for clearing. The clearing process eliminates any ongoing credit risk and counterparty exposure between the original trading counterparties, as both now face the DCO. Therefore, neither party has any reason to know the identity of their original trading counterparty. In the rare event that a swap executed anonymously on a SEF fails to be accepted for clearing, it is considered void *ab initio*.[44] As a result, the original trading counterparties do not have any credit risk or exposure to each other for the "alpha" swap, and therefore still have no reason to know the identity of their original trading counterparty.

As the request for comment notes, certain market participants claim that post-trade name give-up is "an important tool used to mitigate liquidity risk or the risk that traders will game the market."[45] We see neither concern as valid. With respect to liquidity, the Commission posits that post-trade name give up allows liquidity providers to more precisely allocate their bank capital among their customer base "in coordination with their overall bank cross-marketing strategies."[46] However, this argument fails to acknowledge that the practice of post-trade name give-up is used for cleared swaps that are executed anonymously. With pre-trade anonymous execution, there is no ability for liquidity providers to choose which counterparties to trade with and allocate capital to, as post-trade name give up only allows them to learn the identity of their trading counterparty post-execution. Therefore, this arguments fails to justify the practice of post-trade name give-up.

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[42] Name Give-Up Request for Comment at 61572-73.
[43] *Id.* at 61572-73.
[44] *CFTC, Staff Guidance on Swaps Straight-Through Processing* at 5 (Sept. 26, 2013) ("**2013 Staff STP Guidance**"), *available at* https://www.cftc.gov/idc/groups/public/@newsroom/documents/file/dmosefguidance111513.pdf. Indeed, the 2013 Staff STP Guidance is discussed extensively in the Commission's Proposal. Proposal at 61999-62000.
[45] Name Give-Up Request for Comment at 61572.
[46] *Id.*

With respect to "gaming the market," market participants have said that trading anonymously allows for practices that undermine market integrity. There is no evidence to substantiate this claim and we note that other markets regulated by the Commission, such as the futures markets, provide anonymous execution to market participants without the practice of post-trade name give-up. We see no evidence that anonymous execution in these markets has led to "gaming the market." In any event, we believe that the Commission's rules on disruptive trading practices and SEF market oversight are the appropriate mechanisms to prevent any "gaming" of the market, instead of post-trade name give up.

B. *Post-Trade Name Give-Up for Anonymously-Executed Cleared Swaps Results in Harm to Investors*

In its request for comment, the Commission notes market participants have been concerned post-trade name give-up policies result in information leakage and exposure of participants' trading intentions, strategies, positions, and other sensitive information. We are of the view that post-trade name give-up leads to uncontrolled information leakage. For example, a regulated fund transacting anonymously has no control over who it will be matched with, and if such fund's identity is revealed to the other trading counterparty, it provides that trading counterparty with information about the fund's trading activity, strategies, etc.[47] Therefore, the market impact of trading can be expected to increase — information about the trade leaks into the market in an uncontrolled manner, allowing other market participants to anticipate future trading intentions.

C. *The Commission Should Prohibit Post-Trade Name Give-Up for Anonymously Traded Cleared Swaps*

Based on the foregoing, if the Commission prohibits post-trade name give up for anonymously-executed cleared swaps, certain traders would be more likely to participate on venues that offer anonymous execution, including order book functionality. This in turn could result in deeper liquidity pools on SEFs and promote the development of more open, competitive, and less fragmented markets. By taking such action, the Commission's rules would be designed to better promote the development, innovation, and growth of the swaps market, with the intent of attracting liquidity formation onto SEFs in a manner that adds to efficiency for the market and market participants.

IX. Expanding the SEF Registration Requirement Should Not be a Priority for Swaps Trading Reform

The Proposal would codify previous Commission guidance regarding any entity meeting the statutory definition of a SEF (i.e. a multiple-to-multiple platform) to register as a SEF, regardless of whether it facilitates swaps that are subject to the Mandatory Trading Requirement or not.[48] Moreover, the Proposal would apply the SEF registration requirement to entities that aggregate single-dealer platforms to allow market participants to obtain pricing and execute swaps with multiple single-dealer liquidity providers away from SEFs.[49] The SEF registration requirement would also apply to swaps broking entities, including interdealer brokers, that facilitate swaps trading between multiple market participants through bids and offers on non-registered voice or electronic platforms.[50]

SIFMA AMG is not convinced of the need to bring that price discovery and liquidity formation that occurs on interdealer brokers and similar entities onto SEFs. SIFMA AMG is supportive of keeping the current registration scheme in place. However, to the extent the registration requirements for SEFs are

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[47] Again, this type of unnecessary information leakage goes against the spirit of the Data Protection Initiative recently announced by Commissioner Dawn D. Stump. *See supra* n. 33.
[48] Proposal at 61956.
[49] *Id.*
[50] *Id.* at 61952.

modified as outlined above, SIFMA AMG would not want such changes to limit their ability to transact with any entities, including interdealer brokers. We note many of our members do not access interdealer brokers. In addition, SIFMA AMG does not support SEFs becoming less competitive and transparent bilateral platforms, such as being permitted to only offer bilateral trading protocols or single-dealer pages.

As currently drafted, the elimination of the current pre-execution communication prohibition exceptions would be amplified by the fact that swaps broking entities, including voice brokers, would be subject to the SEF registration requirement. Many of the pre-execution communications that currently occur off of SEFs through brokers would, under the Proposal, occur on SEFs subject to the expanded registration requirement. SIFMA AMG does not believe that the change in registration scheme should amplify the restrictions on off-SEF pre-execution communications.

X. SIFMA AMG Suggests Standardized Error Trade Policies

The Proposal explicitly permits a SEF to establish its own rules regarding error trades rejected from clearing, which the Commission believes facilitates a SEF's ability to establish its own error trade procedures that it determines are best suited to its particular market, including whether to maintain an approach based on the void *ab initio* concept for trades rejected from clearing due to non-credit related errors.[51] SIFMA AMG is generally supportive of providing SEFs with more flexibility with respect to error trades. For example, SEFs should not be required to make an affirmative finding that a trade resulted from an error, as is currently required.

However, we note, at present, there are significant gaps among the approaches to correct a trade error based on SEF and DCO infrastructure and trade correction architecture. Beyond what is included in the Proposal, SIFMA AMG recommends that the Commission impose certain standard trade error processing requirements that apply uniformly across SEFs. These include (a) continuing to provide a fixed amount of time to resubmit a trade that initially failed to clear (currently set at one hour), and (b) continuing to declare a swap *void ab initio* in the event it cannot be successfully cleared, which provides consistency and certainty to market participants.

XI. Trade Confirmation and Documentation

SIFMA AMG generally supports the Proposal's approach to trade documentation, particularly those aspects that reduce redundancy and support technological innovation.

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[51] *Id.* at 61999. In lieu of the current no-action relief for error trades under CFTC No-Action Letter No. 17-27, the Proposal allows a SEF to implement its own protocols and processes to correct error trades with respect to a swap (i) rejected by a DCO due to an operational or clerical error or (ii) accepted for clearing by a DCO but contains an operational or clerical error. However, a SEF would continue to be required to void trades that are rejected by a DCO from clearing due to credit reasons.

We appreciate the Commission's consideration of our response. SIFMA AMG believes that certain aspects of the swaps market regulations are appropriately calibrated. Any reforms should focus on the impact to all market participants and should not threaten the progress that has already been made towards fair competition, liquidity, and price transparency. As discussed above, SIFMA AMG is supportive of the aspects of the Proposal that would result in greater price transparency and trading opportunities for asset managers. We believe that any changes to the swaps trading rules should promote the development, innovation, and the growth of the swaps market with the intent of attracting liquidity formation onto SEFs. Should you have any questions, please do not hesitate to contact Tim Cameron at (202) 962-7447 or tcameron@sifma.org, Jason Silverstein at (212) 313-1176 or jsilverstein@sifma.org or Andrew Ruggiero at (212) 313-1128 or aruggiero@sifma.org.

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