



asset management group

September 25, 2026

Submitted via Regulations.gov

Mr. Christopher J. Kirkpatrick

Secretary

Commodity Futures Trading Commission

Three Lafayette Centre

1155 21st Street, NW

Washington, DC 20581

**Re: Swap Execution Facility Order Book Requirement for Permitted Transactions
(RIN 3038–AF79)**

Dear Mr. Kirkpatrick:

The Asset Management Group (“AMG”)¹ of the Securities Industry and Financial Markets Association (“SIFMA”) greatly appreciates the opportunity to provide comments to the Commodity Futures Trading Commission (“CFTC” and the “Commission”) notice of proposed rulemaking on the Swap Execution Facility Order Book Requirement for Permitted Transactions (the “Proposal”).² The Proposal would amend Commission Regulation 37.3(a)(2) to eliminate the requirement that a swap execution facility (“SEF”) maintain an order book for Permitted Transactions, on the basis that a prescribed execution method that is not mandated by statute and that it imposes real costs without delivering meaningful pre-trade price transparency’).

Executive Summary:

- **SIFMA AMG Supports Removing the Order Book Requirement for Permitted Transactions.**
- **SIFMA AMG Supports Retaining the RFQ-3 Requirement.**

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.

² CFTC Request for Comment on Swap Execution Facility Order Book Requirement for Permitted Transactions (RIN 3038-AF79), 91 Fed. Reg. 55030 (Augst 26, 2026).

Discussion:

I. SIFMA AMG Supports Removing the Order Book Requirement for Permitted Transactions.

SIFMA AMG agrees with the Commission's proposal to eliminate the order book requirement for Permitted Transactions. Our members recognize that the requirement actually provides little to no pre-trade transparency as many products have little or no order book liquidity. Instead of requiring specific tools for products lacking sufficient liquidity, the SEFs should be able to allocate resources toward execution functionality for which there is market demand.

While the order book may have appeared to be the ideal approach when the SEF rules were written, by eliminating this requirement, SEFs will have more flexibility to assess the right approach for the relevant product (which may include an order book). Such flexibility will encourage SEF innovation to craft frameworks best attuned to the product and most attractive to market participants.

II. SIFMA AMG Supports Retaining the RFQ-3 Requirement.

SIFMA AMG recognizes that the RFQ-3 requirement for non-block trades presents both benefits and complications. For smaller, highly liquid trades, the RFQ-3 mandate communicates to the market that every quote is in competition and thereby encourages dealers to provide the tightest pricing.

For large, less liquid trades, RFQ-3 presents each quoting dealer with the potential for the "winner's curse" where the dealers with the losing quotes can trade in anticipation of the winning dealer's need to hedge the trade – thereby making the hedges more expensive. In light of this risk, dealers are less incentivized to provide tight quotes as they can expect increased hedging costs. Information leakage is also a risk when information about less liquid trades is shared with multiple dealers raising the possibility of reverse-engineering a market participant's overall book of business or investment aims.

In our letter to the Commission dated March 15, 2019,³ we commented:

"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

³ See SIFMA AMG, *Comment on the 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)* (March 15, 2019), available at [Swap Execution Facilities and Trade Execution Requirement Proposed Rule and Post-Trade Name Give-up on Swap Execution Facilities \(RIN 3038-AE25 and RIN 3038-AE79\)](#). We refer to the regulations of the Commission, set forth in 17 C.F.R. §§ 1, et seq. as the "Commission Regulations."

CDS trading costs decreased by 40-50% for clients during the two-and-a-half year period during which Dodd-Frank Regulations were implemented.⁴

Our members stand by these comments today while also recognizing the challenges presented by RFQ-3 with respect to larger, less liquid trades. Empirical evidence demonstrates that RFQ-3 for standardized, highly liquid cleared swaps has increased competition and transparency and brought low trading costs to swaps markets. It is for this reason that our focus for many years has been to work with the Commission to reassess the block trade thresholds at which point RFQ-1 is possible with a 15-minute delay for public dissemination.

In our letter to the Commission dated August 24, 2026,⁵ we wrote:

“Larger-sized trades deserve particular attention given that immediate full disclosure of trade details may impair pricing and liquidity, discourage risk transfers, and jeopardize the confidentiality of client positions or activity.⁶ Adequate calibration of dissemination caps and block thresholds, coupled with their periodic and predictable recalibration as market conditions evolve, is critical to ensuring the continued viability of block trading in the swap market. Block thresholds should be set at levels that provide market participants with a meaningful opportunity to hedge the risk associated with large transactions before trade details are publicly disseminated. If block thresholds are set too high, market participants risk being adversely impacted by market movements before they can effectively hedge their exposures. Such concerns have been recognized by both buy-side and sell-side participants.”⁷

⁴ 8 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.

⁵ See SIFMA AMG, *Comment on the Joint Request for Comment on Swap and Security-Based Swap Data Reporting (RIN 3235-AN78)* (August 24, 2026), available at <https://www.sifma.org/wp-content/uploads/2026/08/SIFMA-AMG-Comment-SEC-CFTC-RFC-Reporting.pdf>.

⁶ See also SIFMA, *Reopening of Comment Period for Position Reporting of Large Security-Based Swap Positions* (Aug. 21, 2023), p.4 (“SIFMA AMG believes that managers and their clients will be adversely impacted by public disclosure of their SBS positions and related holdings. Such public dissemination will create opportunities for front running and copycatting strategies, including through the reverse engineering of proprietary trading strategies.”), available at: <https://www.sifma.org/wp-content/uploads/2023/08/Position-Reporting-of-Large-Security-BasedSwap-Positions-SIFMA-AMG.pdf>.

⁷ See also SIFMA, *Comment letter on the Proposed Amendments to the Commission’s Regulations Related to the Real-Time Public Reporting Requirements* (May 22, 2020), p.2 (“[A]ny changes to time delays or block sizes should only be done after a data-driven analysis by the Commission.”), available at: <https://www.sifma.org/wpcontent/uploads/2020/11/2020-05-22-Letter-from-SIFMA-AMG-re-Proposed-Amendments-to-the-Real-TimePublic-Reporting-Requirements-RIN-3038-AE60-vF1.pdf>; See also SIFMA, *Comment Letter on the Proposed Rule re: Regulation SBSR—Reporting and Dissemination of Security-Based Swap Information* (May 2017), p.1 (“We believe that the Commission should cap notional amounts for block trades being reported by SBS data repositories to the public.”), available at: <https://www.sifma.org/wp-content/uploads/2017/05/sifma-amg-submits-comments-tothe-sec-on-regulation-sbsr.pdf>.

Again, our members stand by these comments today and firmly recommend that rather than retreat from the RFQ-3 requirements, the Commission re-evaluate the established block trade thresholds so that they are right-sized to allow a dealer to hedge without the risk of the “winner’s curse”.

It is important to note that we do not accept the argument that if the RFQ-3 requirement is discontinued, our members can achieve the same benefits by voluntarily requesting 3 quotes for a trade. Absent the RFQ-3 requirement, dealers will have no knowledge that multiple quotes are being obtained and that their quotes will be in competition. As noted above, the benefit of required competition is significantly better pricing leading to meaningful cost savings for our members. We strongly urge the Commission to retain the RFQ-3 requirement and instead focus on right-sizing the block thresholds which is the preferred means to mitigate the risk of the “winner’s curse”.

On behalf of SIFMA AMG, we appreciate the opportunity to respond to the Proposal and your consideration of our comments and recommendations. If you have any questions or require additional information, please do not hesitate to contact us by calling William Thum at (202) 962-7381 or at bthum@sifma.org.

Sincerely,

A handwritten signature in black ink, appearing to read 'W. Thum', with a stylized, flowing script.

William C. Thum
Managing Director and Associate General Counsel, SIFMA AMG