

September 25, 2026

Delivered Electronically

Mr. Christopher Kirkpatrick
Secretary
U.S. 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 International Swaps and Derivatives Association, Inc. (“ISDA”)¹ and the Securities Industry and Financial Markets Association (“SIFMA”)² (together, the “Associations”) appreciate the opportunity to comment on the U.S. Commodity Futures Trading Commission’s (“Commission” or “CFTC”) notice of proposed rulemaking on the Swap Execution Facility Order Book Requirement for Permitted Transactions (the “Proposal”).³ 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,⁴ on the basis that the requirement is not mandated by statute and it imposes real costs without delivering meaningful pre-trade price transparency.

¹ Since 1985, ISDA has worked to make the global derivatives markets safer and more efficient. Today, ISDA has over 1,000 member institutions from 79 countries. These members comprise a broad range of derivatives market participants, including corporations, investment managers, government and supranational entities, insurance companies, energy and commodities firms, and international and regional banks. In addition to market participants, members also include key components of the derivatives market infrastructure, such as exchanges, intermediaries, clearing houses and repositories, as well as law firms, accounting firms and other service providers. Information about ISDA and its activities is available on the Association’s website: www.isda.org.

² SIFMA is the leading trade association for broker-dealers, investment banks and asset managers operating in the U.S. and global capital markets. On behalf of our industry’s one million employees, we advocate on legislation, regulation and business policy affecting retail and institutional investors, equity and fixed income markets and related products and services. We serve as an industry coordinating body to promote fair and orderly markets, informed regulatory compliance, and efficient market operations and resiliency. We also provide a forum for industry policy and professional development. SIFMA, with offices in New York and Washington, D.C., is the U.S. regional member of the Global Financial Markets Association (GFMA). For more information, visit <http://www.sifma.org>.

³ Swap Execution Facility Order Book Requirement for Permitted Transactions, 91 Fed. Reg. 55,030 (Aug. 26, 2026).

⁴ Capitalized terms used but not defined in this letter have the meanings assigned to them in the Proposal.

The Associations support the Proposal and urge the Commission to adopt the amendment as proposed. In addition, we ask the Commission to revisit the prescribed methods of execution under Commission Regulation 37.9(a)(2),⁵ and, in particular, the requirement that a request for quote be transmitted to no fewer than three unaffiliated market participants (the “**RFQ-to-3 requirement**”). The RFQ-to-3 requirement should be revisited for the very same reasons the Proposal offers for eliminating the requirement that SEFs maintain an order book for Permitted Transactions: the RFQ-to-3 requirement is not mandated by statute and it imposes real costs on market participants without delivering meaningful price transparency benefits. Moreover, the requirement cuts against the very transparency it is meant to serve: requiring a market participant to show three dealers what it intends to trade, in which direction, and in what size invites the information leakage that moves the market against the participant before the trade is executed.

Importantly, our request is directed at a single element of Commission Regulation 37.9(a)(2). We do not ask the Commission to alter the requirement to execute made-available-to-trade (“**MAT**”) swaps on a SEF, to eliminate the request for quote system, or to change any reporting obligations under Part 43 or Part 45 of the Commission’s regulations.⁶ We ask only that the Commission remove the prescribed minimum number of counterparties to which a request for quote must be transmitted, and leave that determination to the sophisticated market participants who bear the execution risk.

Separately, and for similar reasons, we ask the Commission to confirm that a SEF is not required to maintain an order book for transactions resulting from post-trade risk reduction services. Each of these requests is discussed, in turn, below.

I. The Associations Support Removing the Order Book Requirement for Permitted Transactions

The Associations agree with the Commission that eliminating the order book requirement for Permitted Transactions will provide SEFs with the flexibility to determine how best to allocate their resources. The minimum trading functionality requirement obliges a SEF to build and maintain an order book for products for which there is often little or no order book liquidity, and the resulting expenditure delivers no corresponding pre-trade transparency benefit to market participants. Removing that requirement allows SEFs to direct those resources toward execution functionality that participants actually use.

⁵ The Associations are accordingly encouraged by Request for Comment #3, which seeks feedback on whether corresponding adjustments should be made for Required Transactions.

⁶ As part of the CFTC-SEC harmonization initiative, the Associations have submitted extensive comments on the reporting framework applicable to swaps and security-based swaps, which in our view would significantly improve that framework and enhance meaningful price transparency. Our point here is simply that the relief requested in this letter neither depends on nor seeks particular changes to Parts 43 or 45.

We also agree that the amendment has the potential to spur further development and innovation in execution methods better suited to the products that SEFs list. Permitted Transactions span a wide and diverse range of instruments, many of which trade episodically and in bespoke sizes. Accordingly, a framework that permits SEFs to design execution protocols around the characteristics of those products, rather than around a prescribed template, is more likely to attract trading activity to registered venues.

II. The Commission Should Also Reconsider the RFQ-to-3 Requirement for Required Transactions

The premise of the Proposal, that a prescribed execution method Congress did not mandate should not impose costs without delivering commensurate transparency, applies with equal force to the RFQ-to-3 requirement, for the reasons set out below.

Section 2(h)(8) of the Commodity Exchange Act (“CEA”) requires that MAT swaps be executed on a designated contract market or a SEF. It does not prescribe *how* those transactions must be executed. The dichotomy between an Order Book and a Request for Quote System in Commission Regulation 37.9(a)(2), and the requirement that a request for quote be transmitted to a minimum of three unaffiliated market participants, are regulatory choices rather than statutory commands. Just as the Commission has concluded that the order book mandate for Permitted Transactions is a policy judgment that can be revisited, the minimum-counterparty element of the RFQ-to-3 requirement is a policy judgment that the Commission is also free to (and should) revisit.

As an initial matter, it is important to recognize that the RFQ-to-3 requirement falls only on sophisticated market participants that are fully capable of making their own execution decisions. Only eligible contract participants may access a SEF,⁷ and non-financial end users that qualify for the end-user exception are not subject to the trade execution requirement.⁸ The RFQ-to-3 requirement therefore lands on sophisticated institutions that are fully capable of evaluating the trade-off between broader competitive outreach and the risk of information leakage.

These are precisely the participants least in need of a prescriptive execution mandate. They maintain relationships with multiple liquidity providers, monitor streaming markets continuously, and calibrate execution strategy based on their own assessments of the liquidity profile of the product and the size of the risk being transferred. They should be free to rely on their own expertise and market knowledge in choosing how many dealers to approach when executing MAT swaps. Moreover, a rule that substitutes a regulatory mandate for a commercial judgment does not protect these participants; instead, it imposes real costs on them and constrains their ability to execute trades on terms that they deem most appropriate.

⁷ See CEA §§ 2(e), 1a(18).

⁸ See CEA §§ 2(h)(7), 2(h)(8).

Second, the RFQ-to-3 requirement does not meaningfully enhance price transparency; if anything, it risks information leakage. For liquid MAT transactions, dealers already stream firm and indicative pricing on SEFs on a continuous basis, creating robust, two-sided markets in which end users and other buy-side participants can observe the best bids and offers and elect to execute at one of those prices. In other words, the pre-trade transparency that the RFQ-to-3 requirement is intended to generate is already supplied by streaming liquidity in these markets.

Where a participant believes it can achieve price improvement relative to the streaming bids and offers (e.g., because it is trading in size, or because the particular product is less liquid), it may elect to send its own request for quote. If the notional amount of the swap exceeds the applicable block trade threshold, the participant may transmit that request to a single swap dealer counterparty. If the notional amount falls below the threshold, however, the RFQ-to-3 requirement compels the participant to transmit the request to three distinct counterparties. In doing so, the participant tips its hand—it discloses to multiple dealers the particular product, the direction, and the size of its intended trade.

In a volatile market, showing that intention to several dealers at once can itself be a market-moving event, causing the market to reprice as the trade occurs or immediately afterward. The result is worse pricing for the very end users who are seeking to hedge commercial risk. End users hedging a risk position frequently need to execute multiple swaps in the same product, which compounds the cost of that leakage across the whole of the hedging program. These concerns are exacerbated by the Commission’s recent recalibration of the block trade thresholds for MAT transactions, which has expanded the population of transactions that fall below the threshold and are therefore subject to the RFQ-to-3 requirement. Indeed, ISDA analysis of USD-denominated MAT interest rate derivatives traded during the first half of 2025 shows that 86 percent of traded notional would fall below the updated block trade thresholds, compared with 72 percent under the prior thresholds.

In addition, the RFQ-to-3 requirement should also be considered in the cross-border context. Put simply, the requirement places U.S. execution at a comparative disadvantage. Neither the United Kingdom (“UK”) nor the European Union (“EU”) imposes a minimum-counterparty requirement on request-for-quote trading on a multilateral trading facility (“MTF”). A market participant that can execute the same swap either on a U.S. SEF or on a UK or EU MTF therefore faces a prescribed execution cost on the U.S. venue that it does not face abroad. That asymmetry gives such participants a reason to direct order flow away from U.S. platforms, without any offsetting transparency benefit given that the swap remains subject to reporting wherever it is executed. Removing the prescribed minimum would align the U.S. framework with the UK and EU approach and remove a structural incentive to trade elsewhere.

Finally, as we noted at the outset, removing the obligation to send an RFQ to three market participants does not encroach on the other requirements that already contribute to price transparency. First, it would not eliminate the requirement to execute MAT swaps on a SEF platform. All other conditions of execution, and all other regulations applicable to SEFs, would

remain fully intact. Second, the relief is limited to the prescribed minimum number of counterparties; it would not eliminate the request for quote system itself.⁹ Market participants would simply be permitted to determine the number of counterparties to which a request for quote is transmitted (i.e., one or more) based on their own assessment of liquidity, transaction size, and the risk of information leakage. Third, public dissemination and reporting obligations would be unchanged. All swaps executed pursuant to the requested relief would remain subject to Parts 43 and 45 of the Commission's regulations. Thus, the post-trade transparency that informs the market as a whole would be preserved.

For these collective reasons, the Associations respectfully urge the Commission to remove the prescribed minimum number of counterparties to which a request for quote must be transmitted under Commission Regulation 37.9(a)(2), and to permit market participants to determine the appropriate number of counterparties based on their own assessment of their trades.

III. The Commission Should Not Require an Order Book for Transactions Resulting from Post-Trade Risk Reduction Services

In June, CFTC staff issued a no-action position that enables the use of post-trade risk reduction services ("PTRRS") for swaps without triggering the SEF registration requirement or the trade execution requirement.¹⁰ The relief appropriately reflects the fact that the administrative transactions generated by a PTRRS run are categorically different from ordinary market-facing trading activity. They are not price forming; they are executed at pricing pre-identified by the service provider's optimization process rather than negotiated between the counterparties; and their purpose is to reduce non-market risk without materially altering the participants' market exposure. The Associations have long supported relief for PTRRS given the efficiencies and risk-reducing benefits they introduce into the market and therefore support the codification of this existing relief.

In addition, while the current relief enables market participants to execute administrative transactions resulting from PTRRS outside of the SEF framework, some participants nevertheless prefer to execute such transactions on a SEF, principally because doing so allows them to remain anonymous to their counterparties and to rely on existing venue and clearing connectivity. However, as drafted, the Proposal would remove the minimum trading functionality requirement only for Permitted Transactions. The practical consequence for a SEF dedicated to PTRRS is that it must fund an order book that will sit unused in order to offer the service in products subject to the trade execution requirement, or otherwise limit itself to Permitted Transactions, thereby withholding PTRRS from the products in which portfolio rebalancing and basis risk mitigation are most valuable. To avoid this outcome, we ask the Commission to provide that a SEF is not required to maintain an order book in respect of transactions resulting

⁹ Required Transactions would continue to be executed through an order book or a request for quote system operated by a SEF.

¹⁰ CFTC Staff Letter No. 26-20.

from PTRRS (i.e., whether those transactions are Required Transactions or Permitted Transactions).¹¹ This would be a natural extension of the Proposal's own policy objectives: a prescribed execution method that Congress did not require should not be retained where it delivers no transparency benefit, and that is the case for PTRRS transactions whose pricing is determined before such transactions even reach the venue.

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¹¹ Consistent with the balance of this letter, the request is a narrow one. It would not alter the trade execution requirement as it applies to MAT swaps generally, and any PTRRS transaction voluntarily executed on a SEF would remain subject to that SEF's rulebook and to the reporting obligations otherwise applicable to it.

The Associations strongly support the Commission's proposal to eliminate the requirement that SEFs maintain an order book for Permitted Transactions. As the Commission correctly recognizes, a prescribed execution method that is not required by statute should not be retained where it imposes costs and operational burdens without delivering meaningful transparency benefits. These same principles support reconsideration of the RFQ-to-3 requirement for Required Transactions. Removing the prescribed minimum number of counterparties to which an RFQ must be transmitted would preserve SEF execution, RFQ functionality, and all existing reporting and transparency obligations, while allowing market participants to determine the most appropriate execution approach based on the characteristics of the transaction.

Our members are committed to maintaining the safety and efficiency of the U.S. derivatives markets and hope that you will consider our suggestions, as they reflect the extensive knowledge and experience of derivatives professionals within our membership. We appreciate the Commission's consideration of these views and would welcome the opportunity to discuss them further. Please do not hesitate to contact Chris Young (cyoung@isda.org), Nicolette Cone (ncone@isda.org), and Kyle Brandon (kbrandon@sifma.org) should you have any questions.

Sincerely,



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