

Report to MRAC – December 11, 2019

Introduction

The Market Structure Subcommittee is pleased to begin its work to develop recommendations to further enhance the structure and regulation of our derivatives markets.

The Market Structure Subcommittee held initial discussions on November 21st and 22nd to identify a list of potential topics for consideration. The topics identified fall into three broad categories – trading, clearing and reporting (in addition, there are certain topics that straddle these three broad categories).

To advance its work, the Subcommittee will form working groups to explore issues within each area in greater detail and to develop forward-looking recommendations. The working groups, together with an indicative list of the issues that each intends to explore, are outlined below.

Market Structure Subcommittee Working Groups

Trading Working Group

- Swap Dealer Landscape (Concentration, Swap Dealer De Minimis, Floor Trader Exemption)
- Review of Existing Trading Protocols (including Required vs. Permitted Modes of Execution)
- “Made Available to Trade” (MAT) Process & the Scope of MAT Products
- Post-Trade Name Give Up & Pre- vs. Post-Trade Anonymity
- Impartial Access / Barriers to Entry / Evolution of Dealer-to-Dealer vs. Dealer-to-Customer Markets
- Open Access vs. Vertical Integration for Exchanges and CCPs
- Position Limits¹

Clearing Working Group

- Scope of Clearing Mandate
- Clearing Member Concentration
- Client Clearing Offerings (including Fee Structures)
- Straight-Through Processing (including Pre-Trade Credit Checks)
- Cleared vs. Uncleared Margin Methodologies / Levels
- Portfolio Margining

Regulatory and Public Reporting Working Group

- Pre-Trade Transparency Regime
- Post-Trade Transparency Regime
- Block Trade Thresholds (Updating / Recalibrating)
- Reporting / Identifying Package Transactions

¹ Potential overlap with the Energy & Environmental Markets and/or Agricultural Advisory Committees

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Additional Issues That Straddle Working Groups

- Treatment of FX (including Classification of Deliverable Forwards vs. Non-Deliverable Forwards)
- LIBOR to SOFR Transition (including the Scope and Timing of Applying Clearing and Trading Obligations to Standardized SOFR Swaps)²
- Equivalency Determinations (Trading Venues, CCPs, Public Reporting Regimes, Trade Repositories)
- Codification of Guidance and No Action Letters (or Better Inventory of Existing Relief)

Next Steps

The Trading, Clearing, and Reporting working groups will begin meeting in January.

The full Subcommittee expects to be prepared to share its initial recommendations in each of these areas at future MRAC meetings in 2020.

² Potential overlap with MRAC Interest Rate Benchmark Reform Subcommittee