

Introduction

The Market Structure Subcommittee is pleased to present this report on its progress in developing recommendations to further enhance the structure and regulation of our derivatives markets.

As we reported to the Market Risk Advisory Committee at its December 2019 meeting, the Market Structure Subcommittee identified a list of potential topics for consideration during meetings held in late 2019. The topics identified fell into three broad categories – trading, clearing and reporting. Following the December 2019 MRAC meeting, the Subcommittee formed 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 has begun to explore, are outlined in Annex A to this report.

Recent Progress

The Trading, Clearing, and Reporting working groups began meeting in January 2020. Over the course of several meetings, the groups homed in on two topics on which to focus their initial efforts – the Swap Dealer landscape and the “Made Available to Trade” (MAT) process.

The recent period of market stress precipitated by the onset of the COVID-19 pandemic caused the Subcommittee to redirect its efforts in the near term to examine how markets performed and how market structure functioned during a period of significant stress. We expect that today’s presentations on market activity, coupled with a discussion of the experiences and perspectives of the Subcommittee’s member firms, will help inform the Commission on how the markets under its supervision performed and whether any market structure related issues emerged that warrant attention.

Following today’s discussion, the working groups will revert to their original work plans for 2020, and the Subcommittee expects to share recommendations on the Swap Dealer landscape and the “Made Available to Trade” (MAT) process at the next meeting of the MRAC.

Annex A

Market Structure Subcommittee Working Groups and Topics

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

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)

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

² Potential overlap with MRAC Interest Rate Benchmark Reform Subcommittee