From: Berger, Stephen
Sent: Wed, 16 Sep 2020 16:06:30 +0000
To: Thornton, Charlie
Cc: Brown, Karen
Subject: [EXTERNAL] RE: Conversation w/ Citadel Regarding US Treasury / Treasury Futures Market Activity & Functioning in March 2020

Thank you. We can absolutely keep it to 30 minutes.

Stephen Berger
Mobile: (203) 807-6249
E-mail: stephen.berger@citadel.com

From: Thornton, Charlie <cthornton@CFTC.gov>
Sent: Wednesday, September 16, 2020 12:05 PM
To: Berger, Stephen <Stephen.Berger@citadel.com>
Cc: Brown, Karen <KBrown@CFTC.gov>
Subject: [EXTERNAL] Re: Conversation w/ Citadel Regarding US Treasury / Treasury Futures Market Activity & Functioning in March 2020

CAUTION: This email is from an external sender.

Copying Karen to find some time next week. Do you think 30 minutes is possible? He has a very packed schedule. If not, we can try an hour, possibly.

On: 16 September 2020 10:59,
"Berger, Stephen" <Stephen.Berger@citadel.com> wrote:

Charlie,

Conditions in the US Treasury & Treasury futures markets, particularly in March of this year, has been the subject of considerable discussion over the past 6 months. We would be interested in sharing our analysis of and perspectives on market activity, both in March of this year and beyond, with the Chairman.

I would be joined by my colleague Edwin Lin, Citadel's Head of Global Fixed Income (https://www.citadel.com/leadership/edwin-lin/).

I appreciate it's a busy week, but perhaps we could find some time to connect on this front next week?

Kind regards,

Stephen Berger

Managing Director, Global Head of Government & Regulatory Policy
Citadel LLC
Office: (646) 403-8235
Mobile: (203) 807-6249
stephen.berger@citadel.com

From: Berger, Stephen
Sent: Mon, 28 Sep 2020 17:07:17 +0000
To: Brown, Karen
Cc: Lin, Edwin
Subject: [EXTERNAL] RE: RE: RE: RE: RE: RE: Conversation w/ Citadel Regarding US Treasury / Treasury Futures Market Activity & Functioning in March 2020
Attachments: US Treasury Markets in March 2020 v2.pdf

Hi Karen,

We are looking forward to our discussion w/ Chairman Tarbert today at 1:45pm.

To facilitate the discussion, we have prepared the attached presentation. Could you help us get these materials to the Chairman before the call?

We also kindly ask that this presentation be treated as confidential and otherwise not be redistributed.

Kind regards,

Stephen Berger
Mobile: (203) 807-6249
E-mail: stephen.berger@citadel.com

From: Brown, Karen <KBrown@CFTC.gov>
Sent: Tuesday, September 22, 2020 12:29 PM
To: Berger, Stephen <Stephen.Berger@citadel.com>
Subject: [EXTERNAL] RE: RE: RE: RE: RE: RE: Conversation w/ Citadel Regarding US Treasury / Treasury Futures Market Activity & Functioning in March 2020

CAUTION: This email is from an external sender.

Thank you so much!
Karen

From: Berger, Stephen [mailto:Stephen.Berger@citadel.com]
Sent: Tuesday, September 22, 2020 12:28 PM
To: Brown, Karen
Subject: [EXTERNAL] RE: RE: RE: RE: RE: Conversation w/ Citadel Regarding US Treasury / Treasury Futures Market Activity & Functioning in March 2020

Thanks, 1:45pm it is. Updated dial-in info is:

(b)(7)(E)

(b)(7)(E)

Stephen Berger
Mobile: (203) 807-6249
E-mail: stephen.berger@citadel.com

From: Brown, Karen <KBrown@CFTC.gov>
Sent: Tuesday, September 22, 2020 12:10 PM
To: Berger, Stephen <Stephen.Berger@citadel.com>
Subject: [EXTERNAL] RE: RE: RE: RE: RE: Conversation w/ Citadel Regarding US Treasury / Treasury Futures Market Activity & Functioning in March 2020

CAUTION: This email is from an external sender.

Dear Stephen,

Please tweak the time to 1:45 p.m. and confirm if using same dial-in.

Thank you so much.
Karen

Karen Brown
Executive Assistant, Office of Chairman Tarbert
Commodity Futures Trading Commission
202-418-5880
kbrown@cftc.gov

From: Brown, Karen
Sent: Tuesday, September 22, 2020 11:08 AM
To: 'Berger, Stephen'
Cc: Thornton, Charlie
Subject: RE: [EXTERNAL] RE: RE: RE: RE: Conversation w/ Citadel Regarding US Treasury / Treasury Futures Market Activity & Functioning in March 2020

Dear Stephen,

This is great news! Should I use the same dial-in?

Kindest regards,
Karen

Karen Brown
Executive Assistant, Office of Chairman Tarbert
Commodity Futures Trading Commission
202-418-5880
kbrown@cftc.gov

From: Berger, Stephen [mailto:Stephen.Berger@citadel.com]
Sent: Tuesday, September 22, 2020 11:07 AM
To: Brown, Karen
Cc: Thornton, Charlie
Subject: [EXTERNAL] RE: RE: RE: RE: Conversation w/ Citadel Regarding US Treasury / Treasury Futures Market Activity & Functioning in March 2020

Hi Karen,

Let's do Monday at 1:30pm. Thanks again!

Stephen Berger
Mobile: (203) 807-6249
E-mail: stephen.berger@citadel.com

From: Brown, Karen <KBrown@CFTC.gov>
Sent: Tuesday, September 22, 2020 9:43 AM
To: Berger, Stephen <Stephen.Berger@citadel.com>
Cc: Thornton, Charlie <cthornton@CFTC.gov>
Subject: [EXTERNAL] RE: RE: RE: RE: Conversation w/ Citadel Regarding US Treasury / Treasury Futures Market Activity & Functioning in March 2020

Dear Stephen,

Chairman's schedule is extremely busy this week. Would next Monday, September 28 at 1:30 p.m., 7:30 p.m., 8:00 p.m. or 8:30 p.m. ET be available for this call?

I look forward to your reply.

Kindest regards,
Karen

Karen Brown
Executive Assistant, Office of Chairman Tarbert
Commodity Futures Trading Commission
202-418-5880
kbrown@cftc.gov

From: Brown, Karen
Sent: Tuesday, September 22, 2020 8:22 AM
To: 'Berger, Stephen'
Cc: Thornton, Charlie
Subject: RE: [EXTERNAL] RE: RE: RE: Conversation w/ Citadel Regarding US Treasury / Treasury Futures Market Activity & Functioning in March 2020

Dear Stephen,

We need to postpone the 10:00 a.m. call today. I'll be back asap with other availability for this week.

Many thanks,
Karen

From: Berger, Stephen [mailto:Stephen.Berger@citadel.com]
Sent: Friday, September 18, 2020 3:38 PM
To: Brown, Karen
Subject: [EXTERNAL] RE: RE: RE: Conversation w/ Citadel Regarding US Treasury / Treasury Futures Market Activity & Functioning in March 2020

Here is the dial-in information (and note that meeting Password will need to be entered separately after the meeting ID):

(b)(7)(E)

(b)(7)(E)

From: Brown, Karen <KBrown@CFTC.gov>
Sent: Friday, September 18, 2020 4:51 AM
To: Berger, Stephen <Stephen.Berger@citadel.com>
Subject: [EXTERNAL] RE: RE: RE: Conversation w/ Citadel Regarding US Treasury / Treasury Futures Market Activity & Functioning in March 2020

CAUTION: This email is from an external sender.

Excellent. Please provide a dial-in number.

Kindest regards,
Karen

CFTC

Karen Brown
Executive Assistant, Office of Chairman Tarbert
Commodity Futures Trading Commission
202-418-5880
kbrown@cftc.gov

From: Berger, Stephen [mailto:Stephen.Berger@citadel.com]
Sent: Thursday, September 17, 2020 5:23 PM
To: Brown, Karen; Thornton, Charlie
Subject: [EXTERNAL] RE: RE: Conversation w/ Citadel Regarding US Treasury / Treasury Futures Market Activity & Functioning in March 2020

Karen,

Thank you, yes, Tuesday, September 22 @ 10:15am Eastern would work well for us.

Kind regards,

Stephen Berger
Mobile: (203) 807-6249
E-mail: stephen.berger@citadel.com

From: Brown, Karen <KBrown@CFTC.gov>
Sent: Wednesday, September 16, 2020 12:44 PM
To: Berger, Stephen <Stephen.Berger@citadel.com>; Thornton, Charlie <cthornton@CFTC.gov>
Subject: [EXTERNAL] RE: RE: Conversation w/ Citadel Regarding US Treasury / Treasury Futures Market Activity & Functioning in March 2020

CAUTION: This email is from an external sender.

Dear Mr. Berger,

Chairman Tarbert is currently open during the following:

Monday, September 21 @ 4:30 p.m. ET
Tuesday, September 22 @ 10:15 a.m. ET

Would either work for this call? If yes, please provide a dial-in number and I'll add it to the calendar.

Kindest regards,
Karen

Karen Brown
Executive Assistant, Office of Chairman Tarbert
Commodity Futures Trading Commission
202-418-5880
kbrown@cftc.gov

Duplicate

From: Berger, Stephen
Sent: Wed, 19 Feb 2020 03:10:20 +0000
To: Tarbert, Heath (Chairman);Thornton, Charlie
Cc: Platt, Jonah
Subject: [EXTERNAL] Dissemination Delays for Block Trades
Attachments: TRACE Pilot Proposal Feedback.pdf, MiFID II Review - Fixing the Non-Equities Post-Trade Transparency Regime.pdf

Dear Chairman Tarbert,

We understand that, in connection with the proposed amendments to real-time public reporting requirements to be considered this week, the Commission may be considering extending the dissemination delay for block trades from 15 minutes to 48 hours.

We therefore would like to share with you, first, a summary of our concerns with extending the dissemination delay for block trades, and second, an analysis of the shortcomings of the current European public reporting regime (which we understand may be cited as a justification for weakening the strong existing US regime that is in place today) .

1. Concerns with extending the dissemination delay for block trades

We wanted to be sure you were aware of a similar proposal put forward by FINRA last year as a pilot program for corporate bond block trades. This proposal to extend the dissemination delay from 15 minutes to 48 hours was overwhelmingly opposed by a diverse set of market participants, prompting FINRA to reportedly abandon the proposal. For further color, please see:

- The attached slides summarizing the comment letters submitted;

- Bloomberg article "Delayed Disclosure of Biggest Corporate Bond Trades Stalls" (https://www.bloombergquint.com/politics/a-48-hour-delay-for-bond-trades-stalls-after-wall-street-balks); and

- Bloomberg article "Wall Street's Bond Transparency Letters Are Revealing" (https://www.bloomberg.com/opinion/articles/2020-01-22/wall-street-s-bond-transparency-letters-are-revealing).

This opposition was largely due to a general recognition among all different types of investors that meaningful post-trade transparency improves liquidity conditions and reduces transaction costs. In contrast, allowing a 48-hour delay for a significant percentage of overall trading activity would create new information asymmetries that reduce price competition and largely benefit the dealer community.

We agree with this point of view and believe it equally applies to the swaps market. Research has shown that:

- The introduction of real-time public reporting in the swaps market has led to meaningful benefits for investors, facilitating more accurate assessments of execution quality while addressing information leakage concerns by capping reported notionals (http://papers.ssrn.com/sol3/papers.cfm?abstract_id=2443654); and

- Swap block trades account for more than 40% of total trading activity (https://www.clarusft.com/block-trading/?utm_source=rss&utm_medium=rss&utm_campaign=block-trading)

Delaying critical pricing data regarding such an important segment of the market would severely undermine the Commission's post-trade transparency regime. In our view, extending the current 15 minute delay is particularly inappropriate for cleared swaps given their liquidity characteristics.

2. Shortcomings in current European public reporting regime (and accompanying recommendations)

Please see the attached note, which illustrates, among others, that very few swaps transactions in Europe are currently subject to public reporting requirements, and of those that are, only a small minority are actually reported in real-time. The European public reporting regime should therefore not be cited as a justification for weakening the strong existing US regime that is in place today.

We would welcome the opportunity to discuss our perspectives further or answer any questions you may have.

Kind regards,

Stephen John Berger
Managing Director, Global Head of Government & Regulatory Policy
Citadel LLC
Office: (646) 403-8235
Mobile: (203) 807-6249
stephen.berger@citadel.com

Market Feedback

- In the US, FINRA recently consulted on a proposal to delay the public reporting of block trades in the corporate market by 48 hours (vs. 15 minutes currently).
- A broad and diverse coalition opposed this proposed reduction in market transparency – validating the fact that post-trade transparency benefits a wide array of market participants.

Category	Oppose (25)		Support (6)
Academics	• Haoxiang Zhu (MIT) • Larry Harris (USC) • Jim Angel (Georgetown)	• Chester Spatt and Burton Hollifield (Carnegie Mellon) and Artem Neklyudov (University of Lausanne)	
Asset Managers	• AQR • Citadel • Dimensional Fund Advisors	• Federated Investors • T.RowePrice • Vanguard	• BlackRock* • PIMCO • Wellington
Dealer Banks			• Credit Suisse*
Fintech	• BondWave	• BondCliQ	
Municipalities / Pensions	• City Of Ontario • San Bernardino County Government	• The Pension Boards United Church of Christ	
Electronic Trading Firms / Non-Bank Market Makers	• Descartes Trading • Jane Street • SumRidge Partners	• Millennium Advisors • Flow Traders	
Trade Associations	• Bond Dealers of America • CFA Institute • FIA Principal Traders Group	• Healthy Markets Association • Managed Funds Association	• SIFMA*
Trading Venues			• MarketAxess*

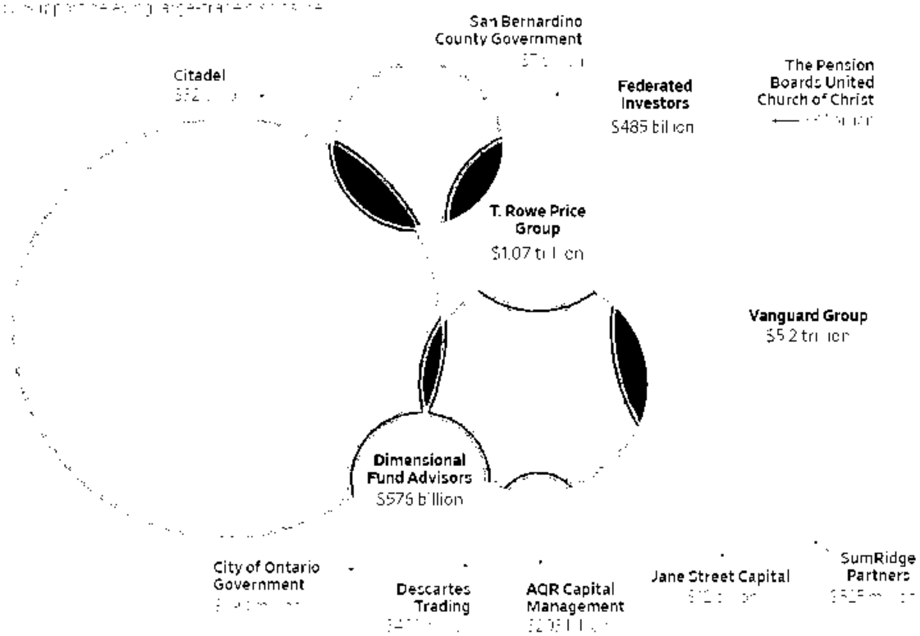
* Support but recommend significant revisions to pilot design

Consultation and comments available at: https://www.finra.org/rules-guidance/notices/19-12

Market Feedback

THE WALL STREET JOURNAL.

Bond Fight Pits Main Street Against Wall Street



From: https://www.wsj.com/articles/bond-fight-pits-main-street-against-wall-street-11561633200

Issue Summary

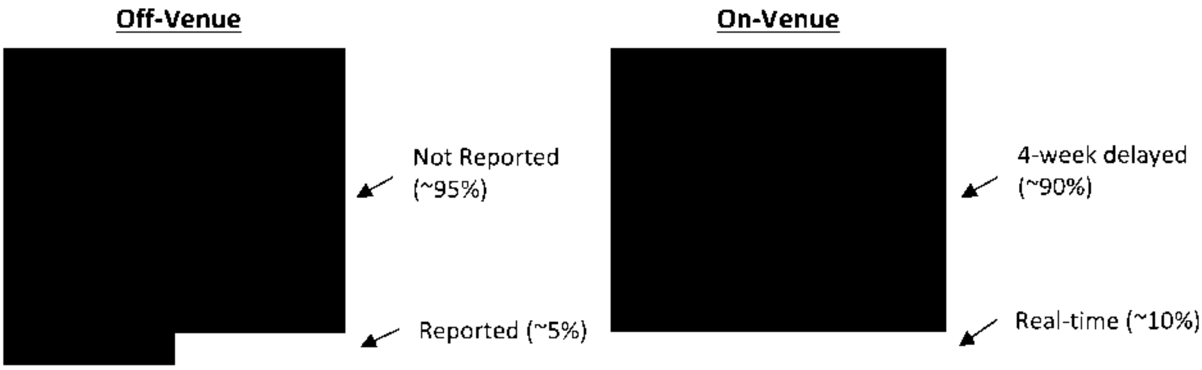
- MiFID II was specifically intended to bring much needed post-trade transparency to the non-equities markets, including OTC derivatives. Post-trade transparency improves investor confidence by facilitating accurate assessments of execution quality and best execution and strengthens EU financial markets (consistent with CMU) by reducing fragmentation.

- However, the MiFID II post-trade transparency framework is not functioning as intended and has yet to deliver any concrete benefits to market participants. Indeed, one NCA has already concluded that MiFID II has actually reduced transparency for non-equity instruments.[1]

- The inadequacy of the current post-trade transparency framework is due to three key reasons:

    1. **Very few off-venue transactions (such as those executed by Systematic Internalisers) are subject to post-trade transparency requirements.** This is because post-trade transparency only applies to OTC derivatives that are considered to be "traded on a trading venue" (ToTV) and ESMA has interpreted this phrase in an extremely granular manner.[2]
        - Only ~2% of the ISINs created for OTC derivatives transactions have been reported to the ESMA FIRDS Transparency System.[3]
        - A separate analysis found that only ~5% of off-venue trading activity in OTC derivatives is currently subject to post-trade transparency requirements.[4]
    2. **Almost all on-venue transactions are being granted four-week deferrals from post-trade transparency requirements.** This is primarily due to (a) inaccurate liquidity assessments by ESMA and (b) extremely low thresholds for large trade deferrals.
        - Analysis has found that ~90% of on-venue trading activity in OTC derivatives is being granted a four-week deferral.[4]
    3. **Trading venues and APAs are not publishing post-trade transparency data free of charge after 15 minutes, as is required.** ESMA has issued guidance to further clarify the requirement for transparency data to be published in machine-readable format free of charge, but trading venues and APAs continue not to comply with this requirement.

Minimal OTC Derivatives Data Is Available Under MiFID II



[1] *See* "New rules led to reduced transparency on the Swedish bond markets" Finansinspektionen, available at: https://www.fi.se/en/published/reports/supervision-reports/2019/fi-supervision-15-decreased-transparency-in-bond-trading/.
[2] https://www.esma.europa.eu/sites/default/files/library/esma70-156-117_mifir_opinion_on_totv.pdf.
[3] https://www.anna-dsb.com/2018/05/04/firds-data-analysis-for-april-2018/.
[4] https://www.clarusft.com/what-we-need-to-do-to-fix-mifid-ii-data/.

Recommended Level 1 Revisions

1. **Remove the ToTV concept for post-trade regulatory and public reporting**.

   - This will ensure all OTC derivatives transactions are subject to post-trade transaction reporting requirements, providing regulators and market participants with a comprehensive view into overall trading activity.
   - Making this legislative change is consistent with the US regulatory framework, where all OTC derivatives are subject to post-trade regulatory and public reporting.

2. **More appropriately calibrate the deferrals from post-trade transparency requirements**.

   - **Reduce the length of the deferral period.** The maximum deferral period should be shortened from 4 weeks.
   - **Reduce the number of deferrals**. The transparency regime should be streamlined by establishing one clear size-based deferral from post-trade transparency requirements, instead of the multiple deferrals that currently exist.
   - **Add qualitative criteria**. OTC derivatives that are determined to be sufficiently liquid for the EMIR clearing obligation should always be considered liquid for post-trade transparency.
   - **Cap the reported notional of large-size trades**. In connection with reducing the length of the deferral, large trades should be reported at the relevant size threshold instead of reporting the actual trade size. This will help prevent information leakage.
   - **Recalibrate liquidity thresholds**. The current liquidity criteria, including average daily notional amount and average daily trade thresholds, should be recalibrated using current market data and tailored to reflect differences in trading volumes across asset classes. In addition, any changes in overall trading activity due to Brexit should be reflected.
   - Making these legislative changes is consistent with the US regulatory framework, where one standard deferral period of 15 minutes applies to a small number of transactions.

3. **Eliminate the ability of trading venues and APAs to charge for regulatory-required post-trade transparency data**.

   - The current ability to charge for real-time data incentivizes trading venues and APAs to decrease the quality of the free delayed data in order to compel market participants to subscribe to expensive real-time data packages.
   - Trading venues and APAs would still be permitted to charge for supplementary data and analytics that are not required to be provided to market participants pursuant to the regulatory framework.
   - This change is necessary in order to facilitate the development of a consolidated tape for non-equities in the EU, which will reduce fragmentation and strengthen EU financial markets. Making this legislative change is also consistent with the US regulatory framework, where real-time post-trade OTC derivatives data is required to be published free of charge.

From: Berger, Stephen
Sent: Tue, 21 Apr 2020 21:14:30 +0000
To: Tarbert, Heath (Chairman)
Cc: Klima, Jaime;Thornton, Charlie;Platt, Jonah
Subject: [EXTERNAL] Second Citadel Comment Letter on Post-Trade Name Give Up
Attachments: Citadel Response Letter on Post-Trade Name Give-up.pdf

Dear Chairman Tarbert,

I hope you are well.

Please find attached a second comment letter from Citadel in support of the Commission's post-trade name give up proposal.

We believe that the incumbent dealer banks have advanced a range of spurious arguments in the comment file, and submit this letter to rebut them in detail and set the record straight. Swap market customers have uniformly supported the elimination of name give-up for anonymously-executed cleared swaps, and we urge the Commission to move forward with a final rule.

As always, we would welcome the opportunity to discuss this proposal further and answer any questions you may have.

Thank you for your leadership.

Kind regards,

Stephen Berger
Managing Director, Global Head of Government & Regulatory Policy
Citadel LLC
Office: (646) 403-8235
Mobile: (203) 807-6249
stephen.berger@citadel.com

CITADEL

April 21, 2020

Mr. Christopher J. Kirkpatrick
Secretary
Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st Street NW
Washington, DC 20581

Re: Post-Trade Name Give-Up on Swap Execution Facilities (RIN 3038–AE79)

We appreciate the opportunity to respond to certain comment letters (the "Bank Letters")[1] submitted to the Commodity Futures Trading Commission (the "Commission") opposing the proposal to prohibit post-trade name give-up ("name give-up") for swaps that are executed anonymously on swap execution facilities ("SEFs") and intended to be cleared (the "Proposal").[2]

These letters are submitted by, or on behalf of, the incumbent dealer banks and advance a number of spurious arguments that are designed to obscure two key realities: (1) there is enormous support among market participants (other than the incumbent dealer banks) for eliminating name give-up for anonymously-executed cleared swaps, and (2) the incumbent dealer banks commercially benefit from preserving the *status quo*, since name give-up serves to limit access to the interdealer broker SEFs ("IDB SEFs") to only swap dealers.

Below, we detail why the arguments advanced in the Bank Letters lack merit.

---

[1] Letters from the Financial Services Forum ("FSF"), J.P. Morgan ("JPM"), Citibank, N.A. ("Citi"), ICAP Global Derivatives Limited and tpSEF, Inc. ("TP ICAP"), the Securities Industry and Financial Markets Association ("SIFMA"), the Bank Policy Institute ("BPI"), and the American Bankers Association ("ABA"), available at: https://comments.cftc.gov/PublicComments/CommentList.aspx?id=3066.

[2] 84 FR 72262 (Dec. 31, 2019), available at: https://www.cftc.gov/sites/default/files/2019/12/2019-27895a.pdf.

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I. Statutory Basis for Commission Action

A. Impartial Access

The Bank Letters argue that prohibiting name give-up for anonymously-executed cleared swaps is not consistent with the impartial access requirements in the Commodity Exchange Act ("CEA"). This is incorrect.

The CEA requires SEFs to "provide market participants with impartial access to the market."[3] The Commission has interpreted this statutory requirement to mean that SEFs are not permitted to limit membership to only swap dealers.[4] Enforcing this interpretation has required the Commission to take further action to expressly prohibit discriminatory membership criteria and trading practices that have the effect of limiting SEF membership to swap dealers. Examples include prohibiting:

- SEF membership criteria that limit access to self-clearing members (which are only swap dealers);[5]
- SEF membership criteria that establish minimum Tier 1 capital requirements (that only bank swap dealers can satisfy);[6]
- SEF membership criteria that establish minimum trading volume requirements (that only swap dealers can satisfy); and[7]
- SEF trading practices that allow members to "turn-off" or disable trading with certain other members for cleared swaps (which can be used to exclude non-swap dealers).[8]

All of these Commission actions derive directly from the statutory requirement for SEFs to provide market participants with impartial access, which means dismantling barriers that serve to limit access to only swap dealers.

The Proposal to prohibit name give-up for anonymously-executed cleared swaps is entirely consistent with the Commission's interpretation of the statutory requirement. As with the membership criteria and trading practices detailed above, name give-up has the effect of limiting

---

[3] CEA Section 5h(f)(2)(B)(i).

[4] *See* 78 FR 33476 (June 4, 2013) at 33508, available at: https://www.cftc.gov/sites/default/files/idc/groups/public/@lrfederalregister/documents/file/2013-12242a.pdf ("**Current SEF Rules**").

[5] *Id.*

[6] Staff Guidance on Swap Execution Facilities Impartial Access (November 14, 2013), available at http://www.cftc.gov/idc/groups/public/@newsroom/documents/file/dmostaffguidance111413.pdf.

[7] *Id.*

[8] *Id.*

SEF membership to only swap dealers.[9] Therefore, the trading practice contravenes the statutory impartial access requirement and should be prohibited by the Commission.

Notably, the incumbent dealer banks have strenuously opposed the Commission's interpretation of the statutory impartial access requirement for nearly 10 years now, commonly claiming the "potential for significant disruption to the market" if IDB SEFs are not able to exclude non-swap dealers.[10] It is therefore unsurprising that similar arguments are being advanced in response to this Proposal even though it is entirely consistent with the CEA.

B. Name Give-up Is Not a Trading Protocol

JPM and FSF argue that name give-up is a trading protocol and therefore cannot be prohibited for transactions that are not required to be executed on a SEF. This is incorrect.

Name give-up is a post-trade market practice that is entirely separate from the specific trading protocol employed to execute a transaction. For exactly this reason, an executive of an IDB SEF stated: "Should we be told not to by the regulators, we will flick a switch and the world will go on. It will not be a profound change and it's not going to require re-engineering the system."[11] Consider further:

- The main middleware provider has already made available to SEFs a post-trade operational workflow that does not employ name give-up and does not require altering specific trading protocols;[12] and
- Name give-up is not listed as a trading protocol in any SEF rulebook (in fact, the post-trade practice does not appear to even be consistently disclosed in SEF rulebooks).[13]

---

[9] *See, e.g.*, Letters from SIFMA AMG, ICI, MFA, AIMA, Vanguard, and the FHLBs, available at: https://comments.cftc.gov/PublicComments/CommentList.aspx?id=3066.

[10] Letter from JPM on the Proposed Rule on Core Principles and Other Requirements for Swap Execution Facilities at page 11, available at: https://comments.cftc.gov/PublicComments/ViewComment.aspx?id=31198&SearchText=barnum ("**JPM 2011 SEF Letter**"). *See also* letter from Cleary Gottlieb Steen & Hamilton LLP on behalf of Bank of America Merrill Lynch; Barclays Capital; BNP Paribas; Citi; Credit Agricole Corporate and Investment Bank; Credit Suisse Securities (USA); Deutsche Bank AG; HSBC; Morgan Stanley; Nomura Securities International, Inc.; Societe Generale; UBS Securities LLC; and Wells Fargo & Company at page 3, available at: https://comments.cftc.gov/PublicComments/ViewComment.aspx?id=35440&SearchText=cleary ("**Cleary 2011 SEF Letter**").

[11] Peter Madigan, "CFTC to Test Role of Anonymity in SEF Order Book Flop," Risk (Nov. 21, 2014), available at https://www.risk.net/derivatives/2382497/cftc-test-role-anonymity-sef-order-book-flop.

[12] *See* Letters from IHS Markit at https://comments.cftc.gov/PublicComments/CommentList.aspx?id=3066.

[13] For example, *see* http://www.bgcsef.com/wp-content/uploads/2017/01/BGC_Rulebook_12-13-16.pdf which lists the following 13 trading protocols: Order Book, Fully Electronic Work-Up, Volume Match Trading, Volume Match Plus, Customer Match Trading, Regular Voice Trading, Voice Work-up, Hybrid Voice, RFQ Voice Trading Facility, Technology-Assisted Voice Trading Facility, Customer Match Voice Trading Facility, Volume Match Plus Voice Trading Facility, and Volume Match Voice Trading Facility.

If name give-up is prohibited, SEF trading protocols can continue to function exactly as they do today. Instead of restricting available trading protocols, as argued by JPM and FSF, prohibiting name give-up will ensure that all the trading protocols offered by SEFs today, such as anonymous order books, auctions, and work-ups are actually available to all types of market participants, including buy-side firms.

C. Prohihiting Name Give-up Is Consistent With Various CEA Provisions

The Bank Letters argue that prohibiting name give-up is not supported by the CEA. In addition to the statutory impartial access requirement discussed above, the following CEA provisions also support the Proposal:

- **Promoting SEF trading (CEA section 5h(e))**. Contrary to suggestions in the Bank Letters that, at best, prohibiting name give-up will just "shift" trading volume from one type of SEF to another, data shows that overall SEF volumes have significantly increased over time compared to off-SEF volumes, reflecting the greater competition and pre-trade transparency available on SEFs.[14] The Proposal will allow buy-side firms to access IDB SEFs, increasing competition and pre-trade transparency on those SEFs, supporting continued growth in overall SEF trading.

- **Promoting pre-trade transparency (CEA section 5h(e))**. As highlighted above, the Proposal will allow buy-side firms to access IDB SEFs. As more participants join these SEFs and participate in the available trading protocols, liquidity and associated pre-trade price transparency should be expected to increase.

- **Promoting fair competition (CEA section 3(b))**. The Proposal clearly promotes fair competition among market participants, as name give-up effectively prevents buy-side firms from accessing IDB SEFs. JPM seeks to advance a novel argument that the Proposal actually impairs competition since the incumbent dealer banks benefit from the current *status quo*,[15] but that is quite clearly the incorrect standard. Promoting fair competition means ensuring a level playing field among market participants and dismantling artificial barriers that prevent free market competition.

- **Supporting information privacy requirements (CEA section 21(c)(6))**. Commission regulation §49.17(f)(2) implements the CEA's information privacy requirements, and specifically prohibits a counterparty from accessing the identity of the other counterparty if the swap was anonymously-executed on a SEF and cleared.[16] In doing so, the Commission stated its expectation that "the counterparties to the swap

[14] See data from ISDA SwapsInfo, available at: http://swapsinfo.org/derivatives-sef/?date_range=Max&date_start=2014-01-01&date_end=2020-03-13&type=&submit=Update+Data.

[15] *See* JPM Letter on the Proposal at page 10.

[16] We note that this prohibition does not apply to swaps executed via a disclosed RFQ trading protocol, as that does not constitute anonymous execution (in contrast to arguments made in the FSF Letter on the Proposal at page 10).

would not otherwise be known to one another" if the swap is submitted to clearing via straight-through processing.[17]

Name give-up undermines these requirements, as it allows counterparties to nonetheless access the identity of the other counterparty for anonymously-executed cleared swaps. Therefore, the Proposal supports the statutory requirements and policy objectives underlying Commission regulation §49.17(f)(2).

II. Market Participant Interest in the Prohibition

Many of the Bank Letters argue that non-swap dealers have limited interest in accessing IDB SEFs and, therefore, the Proposal will deliver minimal benefits.[18] We address these various arguments below.

A. Bank Argument #1: The *Status Quo* is Sufficient

The Bank Letters argue that the swap market is functioning well, with "tight pricing and stable liquidity," so there is no need to change the *status quo*. We agree that the market's transition to SEF trading has meaningfully improved pricing and liquidity in the market, and it is refreshing to see the bank dealer community acknowledge the positive impacts of the Commission's SEF framework, after advancing contrary assertions for so many years. Examples include:

- "Imposing an arbitrary requirement as to the number of market participants that must be contacted for quotes will impair market liquidity by restricting the ability of customers to make informed choices and increasing trading costs associated with dealing on the SEF." (JPM in 2011)[19]

- "Swap volumes have declined; liquidity has decreased [as a result of regulatory reforms]" (Citi in 2016)[20]

- "The current SEF rules [. . .] impede a SEF's ability to foster liquidity and provide competitive pricing" (ISDA in 2019)[21]

However, the presence of good liquidity and pricing on SEFs does not mean that further improvements cannot be made, particularly when such improvements give effect to specific statutory requirements. Buy-side firms have provided loud and clear feedback that there is significant interest in accessing and contributing to liquidity available on IDB SEFs, but that they

[17] 79 FR 16672 (March 26, 2014) at 16673, available at: https://www.govinfo.gov/content/pkg/FR-2014-03-26/pdf/2014-06574.pdf.

[18] *See, e.g.*, JPM Letter on the Proposal at page 2.

[19] JPM 2011 SEF Letter at page 3.

[20] Citi Letter on the Notice Seeking Public Comment on the Evolution of the U.S. Treasury Market Structure at page 9, available at: https://www.regulations.gov/document?D=TREAS-DO-2015-0013-0037.

[21] ISDA Letter on the Proposed Rule on Swap Execution Facilities and Trade Execution Requirement at page 12, available at: https://comments.cftc.gov/PublicComments/ViewComment.aspx?id=62054&SearchText=isda.

are currently prevented from doing so.[22] As detailed above, the Proposal is designed to promote SEF trading and competition, and therefore should be expected to further improve liquidity and pricing on SEFs.

B. Bank Argument #2: Available Fully Anonymous Order Books Are Not Being Used

The Bank Letters argue that the limited use of fully anonymous order books available today (for example, on Bloomberg SEF) demonstrates that non-swap dealers have minimal interest in accessing IDB SEFs. First, it should be noted that this line of argument suggests the Commission should ignore the consistent feedback from buy-side firms and trade associations regarding the Proposal and instead rely on the incumbent dealer banks to accurately convey the views of buy-side firms. Second, to explain why this argument is fundamentally incorrect, consider the available options for a buy-side firm trading on SEF today:

1) Disclosed RFQ;

2) IDB SEF with name give-up (which makes trading on this SEF untenable, as detailed in the comment file);

3) Anonymous order book on a non-IDB SEF, which has minimal liquidity since swap dealer liquidity providers refuse to stream prices to these SEFs (for example, compare (a) the number of swap dealers streaming prices on the Bloomberg SEF fully anonymous order book with (b) the number of swap dealers typically streaming prices on the Bloomberg SEF disclosed request-for-steam trading protocol or on IDB SEF order books with name give-up (such as Tradition SEF or BGC Derivative Markets)).

With only these available options, it should be clear why buy-side firms continue to transact almost exclusively via the disclosed RFQ trading protocol. Supporters of the Proposal have not claimed that the RFQ-to-3 trading protocol is problematic or that buy-side firms do not need access to swap dealer liquidity or would prefer trading on SEFs without swap dealer participation. In fact, the exact opposite is true, which is why the Proposal is so critical. Without prohibiting name give-up, buy-side firms will continue to be unable to access pre-trade anonymous trading protocols on SEFs where there is meaningful swap dealer liquidity, and instead will be confined to using disclosed trading protocols.

The discussion above also explains why it is misleading to argue that name give-up is a practice that has developed "organically," as claimed in the Bank Letters. While name give-up was designed for uncleared swaps that are executed anonymously, where trading counterparties need to know who they have been matched with in order to manage the ongoing credit, operational, and legal exposures associated with a bilateral uncleared swap, its continued use for cleared swaps reflects the desire of the incumbent dealer banks to preserve dealer-only liquidity pools, and the rest of the market has little recourse to effect change without regulatory intervention.

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[22] *See, e.g.*, Letters from SIFMA AMG, ICI, MFA, AIMA, Vanguard, and the FHLBs, available at: https://comments.cftc.gov/PublicComments/CommentList.aspx?id=3066.

C. Bank Argument #3: IDB SEFs Are Not Attractive to Non-Swap Dealers

The Bank Letters advance various arguments designed to minimize the attractiveness of IDB SEFs for buy-side firms, including:

- The vast majority of trading activity occurs away from IDB SEFs. FSF provides data purporting to show that over 70% of SEF activity is transacted on RFQ SEFs,[23] while Citi suggests "around 90% of SEF trading in IRS and credit default swaps on CDX indices, however measured, occurs on D2C SEFs." In response, we note that:
  - Focusing solely on *volume* data ignores that buy-side firms are interested in participating in the *price discovery process* and *trading protocols* on the IDB SEFs in addition to conducting their risk transfer and hedging transactions there;
  - The data shows that, over time, volumes on SEFs used by buy-side market participants have grown more rapidly than volumes on IDB SEFs. This should be expected as overall market volumes have grown, given the number of buy-side firms transacting on SEFs and their current inability to access IDB SEFs;
  - The FSF data appears to include block transactions that are arranged bilaterally and then executed on-SEF. Our review of Clarus data for the first quarter of 2020 shows that for non-block transactions in vanilla USD interest rate swaps, the ratio is closer to 60/40 in notional terms; and
  - If we examine *all* SEF activity in the USD interest rate derivatives market in the first quarter of 2020, the ratio is flipped and IDB SEFs account for 76% of all SEF activity in notional terms according to our review of Clarus data. While this drops to 44% if FRAs are excluded, these figures nevertheless illustrate the important role that IDB SEFs occupy in the rates market.
- Pricing is worse on IDB SEFs. The banks assert that transaction pricing is worse on the IDB SEFs compared to RFQ SEFs and therefore would be unattractive to buy-side firms. In response, we note that:
  - This argument appears to conflate *firm* displayed quotes on IDB SEF order books with *indicative* quotes streamed to RFQ SEFs;
  - Many trades on IDB SEFs are executed inside the displayed quoted spread on the order book, so for the purposes of any comparison, it is important to take into account pricing available through all the various trading protocols offered by the IDB SEFs, including order books, work-ups, voice, and auctions;[24]

[23] FSF Letter on the Proposal, Appendix A at page 20.

[24] As an example, see the various trading protocols offered by BGC Derivative Markets at http://www.bgcsef.com/wp-content/uploads/2017/01/BGC_Rulebook_12-13-16.pdf.

- Any comparison of prices across SEFs will depend on additional factors, including the size of the trade; and

- Finally, contrary to the incumbent dealer bank arguments, one study found that, with respect to benchmark USD IRS, "in 92% of the scenarios" a better price could have been obtained in the order book than was achieved via RFQ."[25] However, even if pricing was similar, a client may prefer to execute certain transactions using an anonymous trading protocol in order to prevent the information leakage that occurs when sending a disclosed RFQ containing trading intentions.

- Swap dealers do not provide liquidity on IDB SEFs. JPM asserts that swap dealers "mostly take liquidity" on IDB SEFs instead of providing liquidity.[26] In response, we note the obvious fact that in order for a transaction to take place, there must be a liquidity provider and a liquidity taker. With only swap dealers on the IDB SEFs, it is absurd to state that swap dealers do not provide liquidity on IDB SEFs.

- IDB SEFs predominantly execute package transactions. FSF provides data purporting to show that approximately 70% of DV01 executed on IDB SEFs was executed as a spreadover package transaction, and asserts that therefore "it is unclear there would be material buy-side demand."[27] In response, we note:

  - JPM has previously acknowledged that "[a]s is the case in futures markets, there are many circumstances under which customers wish to transact a package of financial instruments."[28] In particular, buy-side market participants and RFQ SEFs played a central role in facilitating a smooth and efficient transition to trading certain liquid and standardized package transactions, including spreadovers, on SEFs which clearly illustrates material buy-side demand to trade such package transactions;[29] and

  - An array of liquid and standardized package transactions, including curves, butterflies, and spreadovers, are listed and traded on the two leading RFQ SEFs,

[25] Quantifying Interest-Rate Swap Order Book Liquidity, Greenwich Associates (March 9, 2016) at page 5, available at https://www.greenwich.com/fixed-income-fx-cmds/quantifying-interest-rate-swap-order-book-liquidity.

[26] JPM Letter on the Proposal at page 8.

[27] FSF Letter on the Proposal, Appendix A at page 21.

[28] JPM 2011 SEF Letter at page 10.

[29] The Commission no-action relief that phased-in SEF trading for certain package transactions, including for spreadovers on June 15, 2014, was provided in response to requests from both a buy-side trade association and a leading RFQ SEF, among others (see Letter 14-62 at https://www.cftc.gov/sites/default/files/idc/groups/public/@lrlettergeneral/documents/letter/14-62.pdf). The Commission "Roundtable on Trade Execution Requirements and Package Transactions", held on February 12, 2014, featured representatives from the buy-side as well as from a number of RFQ SEFs. Finally, an array of buy-side trade associations and individual buy-side firms discussed the importance of package transactions, including spreadovers, in comment letters that were submitted in response to various SEF "made available to trade determinations" in the fall of 2013 (*see, e.g.*, https://comments.cftc.gov/PublicComments/CommentList.aspx?id=1409).

with multiple liquidity providers actively quoting two-way markets for these packages for an array of tenors.

More fundamentally, in response to all of the arguments above, it should be up to each individual market participant as to whether or not they wish to trade on a particular SEF. With access to both disclosed and truly anonymous trading protocols, a buy-side firm can make an informed decision regarding how to efficiently execute a cleared swap. Seeking to justify the current exclusion of buy-side firms by arguing that they wouldn't want to transact on IDB SEFs anyway actually undercuts many of the incumbent dealer bank arguments. If IDB SEFs are truly not attractive to buy-side firms, then the Proposal should have an extremely limited impact on the current *status quo*.

D. Bank Argument #4: New Liquidity Providers Should Not Be Expected

The Bank Letters assert that name give-up is not a deterrent to new liquidity providers, and therefore the Proposal should not be expected to attract new entrants. In response, we note the experience of Citadel Securities entering the swaps market as a new liquidity provider, where we witnessed how certain other swap dealers can use name give-up for purposes that are inconsistent with the Commission's impartial access requirements. Immediately following our entry as a new liquidity provider, this included certain incumbent swap dealers asking IDB SEFs to cancel executed trades upon learning through name give-up that their counterparty was Citadel Securities.

In addition, we note the feedback provided to the Commission indicating that additional liquidity providers remain interested in entering the market and support finalizing the Proposal.[30]

III. Potential Harm to the Swaps Market

Many of the Bank Letters argue that the Proposal will significantly harm the swaps market, using hyperbole such as "drastically alter,"[31] "irreparable harm,"[32] "significantly diminishing market liquidity,"[33] and "potentially lead[ing] to an exodus of dealer participation."[34]

In response, we first note that these arguments are entirely inconsistent with the bank arguments discussed in the prior section regarding a purported lack of interest by other market participants in joining IDB SEFs. To the extent IDB SEFs are truly unattractive to buy-side firms and new liquidity providers, then the Proposal should have an extremely limited impact on the current *status quo*. This lack of intellectual consistency in the Bank Letters suggests that unsubstantiated claims of market harm should be viewed critically. Below, we address three specific claimed harms.

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[30] *See, e.g.*, Letters from FIA PTG and CTC, available at: https://comments.cftc.gov/PublicComments/CommentList.aspx?id=3066.

[31] FSF Letter on the Proposal at page 7.

[32] ABA Letter on the Proposal at page 1.

[33] JPM Letter on the Proposal at page 1.

[34] FSF Letter on the Proposal at page 7.

A. Bank Argument #1: Dealer Hedging Costs Will Increase

The Bank Letters assert that the Proposal will increase hedging costs for swap dealers due to other market participants joining IDB SEFs, thereby negatively impacting all dealer clients, including commercial end-users. However, not one letter provided any data to support these claims, including data showing dealer hedging costs increasing in other asset classes where name give-up is not employed. This should not be surprising, as it is difficult to see how *increasing* the number of participants and overall competition on a venue would reduce liquidity and negatively impact pricing.

Instead, we agree with the Commission that increasing competition should lower transaction costs, thereby facilitating dealer hedging.[35] The incumbent dealer banks are now acknowledging that this is exactly what happened as a result of the Commission's SEF framework, which increased market competition (see Section II.A above). In addition, the Proposal cites to several empirical event studies which focus specifically on the effects of post-trade anonymity on market liquidity, with most finding that overall liquidity improves as a result.[36] The Commission's experience in regulating the swaps market and the documented academic research strongly support the conclusion that the Proposal will lower overall transaction costs, and the Bank Letters are unable to cite to any data or academic research in rebuttal.

B. Bank Argument #2: The Work-Up Trading Protocol Will Be Negatively Impacted

The Bank Letters assert that the Proposal will negatively impact work-ups, which are used on IDB SEFs to facilitate the execution of larger transactions. However, these claims are easily disproven by looking at the US Treasury market, where work-ups are commonly employed on interdealer platforms even though name give-up is not used.

A work-up "is a protocol that automatically opens after the execution of each market order. During the workup window, any interested market participants can transact additional volume at the same price established by the initial execution, as long as counter trading interest exists."[37] Interested market participants send in orders anonymously, and there is nothing unique about transactions executed via a work-up compared to other anonymously-executed cleared swaps that would require the disclosure of counterparty identities post-trade. In the fully anonymous US Treasury market, work-ups account for a significant percentage of overall trading activity.[38]

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[35] Proposal at 72269.

[36] *Id.*

[37] "Order Flow Segmentation and the Role of Dark Pool Trading in the Price Discovery of U.S. Treasury Securities," Michael Fleming and Giang Nguyen (August 2013) at page 1, available at: https://editorialexpress.com/cgi-bin/conference/download.cgi?paper_id=378&db_name=AFA2015.

[38] *See* "The Evolution of Workups in the U.S. Treasury Securities Market," Michael J. Fleming, Ernst Schaumburg, and Ron Yang, Liberty Street Economics Blog (Aug. 20, 2015), available at: https://libertystreeteconomics.newyorkfed.org/2015/08/the-evolution-of-workups-in-the-us-treasury-securities-market.html#.Vr4fl3IUWpo.

C. Bank Argument #3: Dealers Will Exit the Market

JPM and FSF argue that the Proposal could result in "an exodus of dealer participation,"[39] referencing the success of principal trading firms in the US Treasury market as an example. These arguments are highly misleading. First, as noted above, these bank letters concurrently argue that the Proposal should not be expected to attract new liquidity providers. Second, as acknowledged by the incumbent dealer banks when convenient to do so, the swaps market is very different from the US Treasury market. With most swaps trading "fewer than 20 times per day,"[40] the size, volume, and frequency of trades in the swaps market is not conducive to high frequency trading strategies. Third, dealers still dominate liquidity provision to customers in the US Treasury market, with the top 10 dealers controlling approximately 75% of the market.[41] There is absolutely no evidence to suggest that incumbent dealer banks will exit the swaps market or curtail liquidity provision as a result of the Proposal. In contrast, as a top liquidity provider across many asset classes, including in both swaps and US Treasuries, Citadel Securities sees no basis for this argument and strongly believes that a prohibition on name give-up will in fact enhance liquidity provision overall.

We note that several of the Bank Letters take the opportunity to cast aspersions on the quality of liquidity provided by non-bank liquidity providers, including during times of market volatility.[42] These claims are not supported when subjected to robust analysis. For example, during the "flash rally" volatility event in the US Treasury market on October 15, 2014, which is one of the most comprehensively reviewed recent events of market volatility, it was determined that "bank dealers tended to widen their bid-ask spreads, and for a period of time provided no, or very few, offers in the order book in the cash Treasury market."[43] A meaningful withdrawal of liquidity by bank swap dealers has been observed on IDB SEFs during the recent market volatility, as "dealers have fled the [bank-only] Clobs."[44] In our view, recent events reaffirm the importance of ensuring that all market participants are able to access and contribute to all available sources of liquidity and trading protocols.

[39] FSF Letter on the Proposal at page 7.

[40] Cleary 2011 SEF Letter at page 4.

[41] "A Preliminary Look at Dealer-to-Customer Markets on October 15, 2014" at slide 6, available at: https://www.newyorkfed.org/medialibrary/media/newsevents/events/markets/2015/October-15-Dealer-to-Customer-Analysis.pdf.

[42] *See, e.g.*, JPM Letter on the Proposal at page 9.

[43] Joint Staff Report: The U.S. Treasury Market on October 15, 2014 (July 13, 2015), available at: https://home.treasury.gov/system/files/276/joint-staff-report-the-us-treasury-market-on-10-15-2014.pdf. We note that data shows that bank liquidity providers also failed to respond to a significant percentage of customer RFQ requests during the event. See "A Preliminary Look at Dealer-to-Customer Markets on October 15, 2014" at slide 8, available at: https://www.newyorkfed.org/medialibrary/media/newsevents/events/markets/2015/October-15-Dealer-to-Customer-Analysis.pdf.

[44] "Swaps benchmark vanishes as traders flee firm price venues," Risk.net (Mar. 20, 2020), available at: https://www.risk.net/derivatives/7509006/swaps-benchmark-vanishes-as-traders-flee-firm-price-venues.

IV. Cross-Border Impact

TP ICAP suggests that the Proposal may result in swap dealers shifting liquidity from SEFs to non-U.S. venues that still permit name give-up.[45] The main cross-border risk appears to be that the incumbent dealer banks shift interdealer activity in USD interest rate swaps to MTFs and OTFs. We would suggest that, were this to occur, it would constitute clear evidence of evasion of Commission rules. However, we also expect the EU to continue to maintain equivalent standards as the U.S. with respect to the implementation of impartial access. Similar to the impartial access requirement in the CEA, MiFID II requires MTFs and OTFs to establish non-discriminatory rules governing access.[46] Following the lead of the Commission, ESMA issued additional guidance that prohibits exactly the same access barriers currently prohibited by the Commission relating to membership criteria and trading practices (as detailed in Section I.A above).[47] We understand that ESMA is currently considering the practice of name give-up for anonymously-executed cleared swaps on MTFs and OTFs and would expect equivalent standards to be maintained across both jurisdictions.

We note that, when considering the magnitude of this threat by the incumbent dealer banks, it is important to note that the EUR and GBP interdealer interest rate swaps markets are already largely offshore as a result of actions taken by the incumbent dealer banks following the implementation of the Commission's SEF rules. Research has concluded that these actions were "consistent with (although not direct proof of) swap dealers strategically choosing the location of the desk executing a particular trade in order to avoid trading in a more transparent and competitive setting."[48]

V. LIBOR Transition

The Bank Letters assert that the Proposal will "drastically alter the swaps market"[49] and therefore should not be finalized while market participants are working to transition away from LIBOR to risk-free reference rates. In response, we note the following:

- The potential harms claimed by the incumbent dealer banks relating to the Proposal are completely unsubstantiated (as detailed in Section III above);

- The operational changes resulting from the Proposal are minimal. As stated by an executive of an IDB SEF: "Should we be told not to by the regulators, we will flick a switch and the world will go on. It will not be a profound change and it's not going to

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[45] TP ICAP Letter on the Proposal at page 4.

[46] MiFID II Article 18(3).

[47] ESMA Q&A on MiFID II and MiFIR market structure topics, Section 5.1, Question 3, available at: https://www.esma.europa.eu/sites/default/files/library/esma70-872942901-38_qas_markets_structures_issues.pdf.

[48] Benos, E., Payne, R., and Vasios, M., Centralized trading, transparency and interest rate swap market liquidity: evidence from the implementation of the Dodd-Frank Act, Bank of England Staff Working Paper (May 2018) at page 30, available at: https://www.bankofengland.co.uk/-/media/boe/files/working-paper/2018/centralized-trading-transparency-and-interest-rate-swap-market-liquidity-update.

[49] FSF Letter on the Proposal at page 7.

require re-engineering the system."[50] In addition, the main middleware provider has already made available to SEFs a post-trade operational workflow that does not employ name give-up and does not require altering specific trading protocols;[51]

- Interest rate swaps referencing SOFR are not currently subject to either mandatory clearing or SEF trading requirements, meaning that market participants have complete flexibility regarding where and how to trade these instruments, both on-SEF and off-SEF; and

- As discussed in Section III.A above, the Commission's experience in regulating the swaps market and the documented academic research strongly support the conclusion that the Proposal will increase competition and lower overall transaction costs, thereby facilitating dealer hedging across the entire interest rate swaps complex. Therefore, the Proposal may in fact support the market's transition away from LIBOR.

VI. Cost-Benefit Analysis

The Bank Letters argue that the Proposal's cost-benefit analysis is insufficient. We strongly disagree.

First, it is important to note that the fundamental policy question is one that the Commission has already decided: *Should swap dealer-only SEFs be permitted?* The Commission carefully considered this question in the final SEF rules and concluded that SEFs are not permitted to limit membership to only swap dealers, and that the resulting increase in market competition should lead to improved pricing and liquidity for market participants.[52] The Proposal is directly related to this prior Commission action, as name give-up has the effect of limiting SEF membership to only swap dealers.[53] Therefore, the Commission can rely on the cost-benefit analysis contained in the final SEF rules to support continuing to enforce the prohibition on swap dealer-only SEFs. Notably, even the incumbent dealer banks are now acknowledging in the Bank Letters that this prior cost-benefit analysis was generally correct, with greater competition on multilateral venues leading to better pricing for market participants (even without dismantling all of the access barriers on IDB SEFs).

Second, the Commission has supplemented the prior cost-benefit analysis with (a) documented experience in other asset classes, including empirical event studies which focus specifically on the effects of post-trade anonymity on market liquidity, (b) discussion at a Market Risk Advisory Committee meeting, and (c) two rounds of written feedback from market participants (where a broad and diverse coalition of market participants agree with the Commission's cost-benefit analysis and only the incumbent dealer banks oppose). In aggregate, this provides the Commission

[50] Peter Madigan, "CFTC to Test Role of Anonymity in SEF Order Book Flop," Risk (Nov. 21, 2014), available at https://www.risk.net/derivatives/2382497/cftc-test-role-anonymity-sef-order-book-flop.

[51] *See* Letters from IHS Markit at https://comments.cftc.gov/PublicComments/CommentList.aspx?id=3066.

[52] *See* Current SEF Rules at 33560 and 33573.

[53] *See, e.g.*, Letters from SIFMA AMG, ICI, MFA, AIMA, Vanguard, and the FHLBs, available at: https://comments.cftc.gov/PublicComments/CommentList.aspx?id=3066.

with a solid basis to conclude that the benefits of prohibiting name give-up outweigh any potential costs.

On the other hand, the incumbent dealer banks have a strong commercial interest in preserving the current *status quo*, which has resulted in promoting inaccurate cost-benefit analyses in the past.[54] In this instance, the incumbent dealer banks have failed to cite to any data or academic research showing negative impacts in other asset classes where name give-up is not employed. In fact, many of their unsubstantiated claims conflict with existing academic research, such as the claim that commercial end-users transacting swaps off-SEF may somehow be negatively impacted by Proposal.[55] Research instead suggests that commercial end-users may not be best-served by maintaining the current *status quo*. Examples include:

- Discriminatory pricing of over-the-counter derivatives.[56] This research finds that less sophisticated clients pay higher transaction costs when using bilateral trading protocols, but that transactions on multilateral RFQ platforms exhibit competitive spreads regardless of client sophistication levels.[57] Specifically, "the use of multi-dealer RFQ platforms removes the market power of dealers and compresses average spreads."[58]

- Over-the-Counter Markets.[59] This research finds that client transaction costs decrease to the extent a client can more easily find other liquidity providers, such as on a multilateral trading venue.

VII. Alternatives

The Bank Letters suggest a number of alternatives to the Proposal. However, each suffers from the same flaw - purposefully enabling the incumbent dealer banks to retain control over whether to continue to use name give-up or to support fully anonymous trading. Consider the following suggested alternatives:

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[54] "The study indicates that the [electronic execution requirements], in all likelihood, will bring little benefit to the market while adding significantly to the costs of using derivatives." ISDA Research Staff & NERA Economic Consulting, Costs and Benefits of Mandatory Electronic Execution Requirements for Interest Rate Products, ISDA Discussion Papers Series, Number Two (Nov. 2011), available at: https://comments.cftc.gov/PublicComments/ViewComment.aspx?id=57344&SearchText=isda.

[55] JPM Letter on the Proposal at page 2.

[56] Hau, H., Hoffmann, P., Langfield, S., and Timmer, Y., Discriminatory pricing of over-the-counter derivatives, ESRB Working Paper, December 2017, available at: https://www.esrb.europa.eu/pub/pdf/wp/esrb.wp61.en.pdf. We note that, while the paper focuses on the FX derivatives market, its conclusions regarding the impact of multi-dealer RFQ platforms are generally applicable across OTC markets.

[57] *Id.* at pages 22-23.

[58] *Id.* at page 23.

[59] Duffie, D., Gârleanu, N., and Pedersen, L.H., Valuation in Over-the-Counter Markets (November 2004) at page 2, available at: https://web.stanford.edu/~duffie/OTCmarkets.pdf.

- Requiring each SEF to offer a fully anonymous order book as an option. We would expect the incumbent dealer banks to elect not to provide meaningful liquidity to any anonymous order book as long as order books with name give-up remain. This is exactly what has transpired with the anonymous order books currently offered by SEFs. As a result, the anonymous order books would remain largely empty and buy-side firms would continue to lack access to the order books with swap dealer liquidity that use name give-up.

- Allowing counterparties to opt-out of name give-up on a trade-by-trade basis. We would expect the incumbent dealer banks not to agree to opt-out of name give-up, meaning that very little would change on IDB SEFs. Requiring mutual agreement of the parties is not practical when the incumbent dealer banks are commercially incentivized to maintain the *status quo*.

- A pilot where name give-up is prohibited for some instruments and not others. The suggestion of a pilot appears designed to slow down finalization of the Proposal. In addition, a short-term pilot would be easily susceptible to manipulation. Given their commercial interests in maintaining the *status quo* and privileged position as liquidity providers, the incumbent dealer banks could temporarily provide worse pricing for instruments covered by the name give-up prohibition in order to dictate the pilot results. Finally, we note the recent statement from the Financial Economists Roundtable highlighting the drawbacks of relying on pilot programs and affirming that "[g]ood evidence-based regulation need not require undertaking a pilot study."[60]

VIII. Other Considerations

A. Exceptions to the Name Give-up Prohibition

The Bank Letters argue that the scope of the Proposal should be limited in several ways.

1. Swaps Not Subject to Mandatory Clearing

TP ICAP suggests limiting the scope of the Proposal to swaps subject to mandatory clearing, but justifies this limitation by citing examples that do not involve swaps that are "intended to be cleared" in the first place. The phrase "intended to be cleared" should mean "intended to be submitted for clearing contemporaneously with execution," consistent with prior Commission action.[61] The rationale for prohibiting name give-up applies equally to all swaps that are intended to be cleared, not just swaps subject to the clearing obligation or trading obligation.

We note that SEFs may offer pre-trade anonymous trading protocols for swaps that begin as uncleared and then are "backloaded" into clearing by the trading counterparties at a later time.

[60] "Statement on Evidence-Based Regulation and the Limits of Pilot Studies," Financial Economists Roundtable (Oct. 2019), available at: https://business.lehigh.edu/sites/default/files/2019-12/Final%20FER%20Statement%202019.pdf.

[61] *See, e.g.*, Staff Guidance on Swap Execution Facilities Impartial Access (November 14, 2013) at FN 1, available at http://www.cftc.gov/idc/groups/public/@newsroom/documents/file/dmostaffguidance111413.pdf.

These would not be considered "intended to be cleared," and therefore would not be subject to any prohibition on name give-up, given that they are not submitted for clearing contemporaneously with execution.

2. Work-ups

FSF suggests that the Proposal should exclude a SEF if a material portion of its trading volume is executed via a work-up. As detailed in Section III.B above, work-ups can easily operate on a fully anonymous basis, as occurs in the US Treasury market. Therefore, there is absolutely no reason for this proposed limitation, and it represents nothing more than a transparent attempt to keep certain IDB SEFs as swap dealer-only venues.

3. Error Trades

Many of the Bank Letters suggest that name give-up is necessary to resolve operational or clerical errors. This is incorrect. In the event of an operational or clerical error involving an anonymously-executed swap, the SEF can facilitate the correction of the error without disclosing a counterparty's identity.[62] For transactions that are executed on a disclosed basis, the Commission has provided an alternative which allows the counterparties to execute a correcting trade subject to the ex post facto review by the SEF.[63] However, this relief was specifically granted to "improve efficiency of the error correction process for market participants on electronic 'dealer-to-client' SEFs"[64] and should not affect the error correction process on pre-trade anonymous IDB SEFs, where counterparty identities do not need to be disclosed. Therefore, this limitation is not appropriate.

4. Packages

Many of the Bank Letters suggest that the Proposal should exclude certain package transactions. However, as proposed, the prohibition on name give-up only applies to swaps that are executed anonymously and intended to be cleared. Therefore, for a package transaction containing both a cleared swap and an uncleared swap, name give-up could still be used for the uncleared swap leg. This is consistent with current market practice, where the cleared swap and uncleared swap will be subject to different post-trade operational workflows, and obviates the need for the Commission to provide any type of special exception for package transactions.

B. Potential for Evasion

As noted in our first letter, we are concerned that voice brokers, operating either within a SEF or through an affiliated introducing broker, may seek to evade any prohibition on name give-up by pre-negotiating or pre-arranging trades anonymously and then disclosing counterparty identities prior to formally executing the transaction on the SEF. We provided suggested language to address

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[62] *See* CFTC Letter 17-27 (May 30, 2017).

[63] CFTC Letter 20-01 (Jan. 8, 2020).

[64] *Id.*

this concern, consistent with the overarching principle that if a cleared swap is traded anonymously (including through pre-negotiation or pre-arrangement), it should stay anonymous.

TP ICAP's letter clearly shows that this concern was warranted and should be addressed by the Commission. In particular, TP ICAP asserts that the prohibition on name give-up would not apply to instances "(i): where an Introducing Broker pre-arranges trades between two parties, and gives up names in the arrangement process before execution or clearing or (ii) where in-SEF broker personnel engaged in voice RFQ processes disclose the counterparties' identities before execution (i.e., during the liquidity formation process) or clearing."[65] If this interpretation is permitted, the Proposal could result in the incumbent dealer banks transitioning liquidity away from SEFs to introducing brokers in order to preserve swap dealer-only liquidity pools with name give-up. Therefore, we strongly urge the Commission to address this potential for evasion in the final rule.

* * * * * * * * * *

We strongly believe that the Proposal will make the swaps market more fair, open, competitive and transparent. We urge the Commission to dismiss the spurious arguments put forward by the incumbent dealer banks in their last ditch effort to forestall further positive market evolution. Swap market customers have uniformly supported the elimination of name give-up for anonymously-executed cleared swaps.

We thank the Commission for considering our further comments on the Proposal. Please feel free to call the undersigned at (646) 403-8200 with any questions regarding these comments.

Respectfully,

/s/ Stephen John Berger

Managing Director

Global Head of Government & Regulatory Policy

[65] TP ICAP Letter on the Proposal at page 7, FN 19.

From: Griffin, Kenneth
Sent: Thu, 19 Mar 2020 00:27:32 +0000
To: Tarbert, Heath P.
Subject: [EXTERNAL] Thank you

Chairman,

Thank you very much for your time today. We appreciate your leadership in this uncertain and interesting time. Please feel free to reach out any time should you need anything.

All the best,
Ken

From: Tarbert, Heath P.
Sent: Thu, 19 Mar 2020 00:31:24 +0000
To: Griffin, Kenneth
Subject: RE: [EXTERNAL] Thank you

Ken,
Thanks so much for taking the time. We here at the CFTC benefit from hearing from key market participants such as yourself/Citadel. Should you ever need to get a hold of me: (b)(6) [redacted] I will continue to work to keep our markets liquid, orderly, and open for business.
Best,
Heath

Heath P. Tarbert
Chairman & Chief Executive
Commodity Futures Trading Commission
202-418-5030
chairman@cftc.gov

Duplicate

CITADEL

December 3, 2019

Mr. Joshua B. Sterling
Director
Division of Swap Dealer and Intermediary Oversight

Ms. Dorothy DeWitt
Director
Division of Market Oversight

Mr. M. Clark Hutchison III
Director
Division of Clearing and Risk

Re: The Application of Uncleared Margin Requirements, Public Reporting, and Mandatory Clearing to OTC Derivatives Referencing SOFR

We appreciate the opportunity to provide input to the Commodity Futures Trading Commission (the "Commission") as it continues to monitor the OTC derivative market's transition from referencing LIBOR (and other interbank offered rates) to referencing SOFR (and other new risk free reference rates). While we strongly support efforts by regulators to streamline a market-led transition, we caution against exempting new OTC derivatives referencing SOFR ("SOFR derivatives") from key pillars of the post-crisis financial reforms, such as uncleared margin requirements, public reporting, and mandatory clearing. Rather, we believe that the market for SOFR derivatives should be built on the solid foundation of these critical reforms in order to further secure and advance the objectives of mitigating systemic risk and increasing market stability, integrity, and efficiency. It is particularly noteworthy that volumes in the closely related SOFR futures market have been successfully growing *without* any regulatory exemptions with respect to margining, reporting, or clearing.

I. New SOFR Derivatives Should Not Be Exempted from Uncleared Margin Requirements

While we support certain targeted and time-limited no-action relief, such as regulatory confirmation that amendments to legacy derivative contracts do not trigger the application of uncleared margin requirements if made solely to address interest rate benchmark reform,[1] we caution against providing a blanket exemption from uncleared initial margin requirements for new SOFR derivatives (even if it is time-limited) [2] for several reasons:

[1] *See* BCBS/IOSCO statement on the final implementation phases of the Margin requirements for non-centrally cleared derivatives (March 5, 2019), available at: https://www.bis.org/press/p190305a.htm.

[2] *See* "Treatment of Swaps Amended or Otherwise Transitioned from IBOR to Alternative Risk Free Rates under the Commodity Exchange Act" (Nov. 5, 2019), available at: https://www.newyorkfed.org/medialibrary/Microsites/arrc/files/2019/ARRC_CFTC_Relief_Request.pdf ("The ARRC requests that DSIO [. . .] grant no-action relief from the uncleared swap margin requirements for New SOFR Swaps that are not subject to mandatory clearing and that are executed before the date on which LIBOR will cease").

- **Compromises Systemic Risk Mitigation**. The financial crisis exposed the OTC derivatives markets as significantly under-collateralized. As a result, margin requirements for uncleared OTC derivatives represent a central pillar of the post-crisis reforms, designed to prevent the accumulation of under-collateralized bilateral exposures that can serve as a source of contagion and transmit risk in the event of a significant counterparty default. Providing a blanket exemption from uncleared initial margin requirements for new SOFR derivatives would permit certain OTC derivatives to once again be under-collateralized. As trading activity in SOFR derivatives increases, the size of these under-collateralized bilateral exposures may prove to be a source of systemic risk, undermining the post-crisis reform framework.

- **Disincentivizes Central Clearing**. The post-crisis reforms to the OTC derivatives market also seek to transition all standardized OTC derivatives into central clearing.[3] Uncleared margin requirements are important in this transition by establishing a level playing field between the cleared and uncleared markets with respect to collateralization practices, and thus removing a disincentive to centrally clear.[4] Providing a blanket exemption from uncleared initial margin requirements for new SOFR derivatives would disincentivize central clearing of these standardized derivatives. Data shows that bilateral trading is less costly than central clearing if there is an available exemption from the uncleared initial margin requirements, since initial margin would then only be required for cleared trades.[5] Among other anomalies, this would enable liquidity providers to quote better prices for uncleared SOFR derivatives than for cleared SOFR derivatives.

- **Bifurcates Liquidity**. Efforts solely focused on increasing trading activity and liquidity in uncleared SOFR derivatives risk negatively impacting overall market conditions by bifurcating liquidity between the cleared and uncleared version of the instrument. Given the transition of most all standardized interest rate derivatives to central clearing,[6] there is a general aspiration that liquidity in SOFR derivatives will naturally coalesce around the cleared version of the instrument.[7] However, a blanket exemption from uncleared initial margin requirements for new SOFR derivatives would provide a significant incentive to trade uncleared SOFR derivatives, increasing the likelihood that overall

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[3] *See* "G20 Leaders Statement: The Pittsburgh Summit," Sept. 25, 2009, available at: http://www.g20.utoronto.ca/2009/2009communique0925.html.

[4] *See* BCBS-IOSCO Margin requirements for non-centrally cleared derivatives (March 2015), available at: https://www.bis.org/bcbs/publ/d317.pdf.

[5] *See* Incentives to centrally clear over-the-counter (OTC) derivatives: A post-implementation evaluation of the effects of the G20 financial regulatory reforms (Nov. 19, 2018) at pages 36-37, available at: http://www.fsb.org/wp-content/uploads/R191118-1-1.pdf (the "**DAT Report**").

[6] *See* "Remarks of CFTC Chairman J. Christopher Giancarlo at the Futures Industry Association Law & Compliance Division Conference" (May 10, 2019), available at: https://www.cftc.gov/PressRoom/SpeechesTestimony/opagiancarlo72.

[7] *See, e.g.*, Transcript of the MRAC Meeting on July 12, 2018 at pages 181-82, available at: https://www.cftc.gov/sites/default/files/2018-12/mrac_071218_transcript.pdf.

market liquidity would be bifurcated between cleared and uncleared markets, to the detriment of participants in both markets.

- **Creates Additional Implementation Challenges**. Providing a blanket exemption for new SOFR derivatives would further increase the complexity associated with the phase-in of uncleared initial margin requirements. A multi-year phase-in of these requirements by participant type remains in progress, with an expected completion date of September 2021. Layering on additional phase-ins by product type would only increase the associated operational challenges for market participants. In addition, absent coordinated action from regulators in non-U.S. jurisdictions, a blanket exemption for new SOFR derivatives risks introducing additional cross-border complexity to the phase-in of uncleared initial margin requirements.

  Furthermore, providing an exemption from uncleared initial margin requirements for new SOFR derivatives may create challenges for market participants who nonetheless continue to post initial margin for these SOFR derivatives (despite the regulatory exemption) and wish to portfolio margin these positions with other interest rate derivatives that remain subject to the uncleared initial margin requirements. Further regulatory clarification would be needed to ensure that market participants could voluntarily include out-of-scope products for purposes of regulatory initial margin calculations.

II. New SOFR Derivatives Should Not Be Exempted from Public Reporting Requirements

We also caution against providing any exemption from public reporting requirements for new SOFR derivatives. Academic research has found that the introduction of real-time public reporting in the OTC derivatives market has led to meaningful benefits for end investors, removing information asymmetries and facilitating more accurate assessments of execution quality.[8] By enabling investors to compare the prices they receive from liquidity providers with concurrent trading activity across the market, public reporting enhances investor confidence and incentivizes price competition as investors are able to demand more accountability from their liquidity providers. Furthermore, investors' understanding of, and confidence in, the emerging SOFR derivatives markets is predicated upon publicly available information about pricing and trading activity, as well as attendant research and analysis.[9] Ensuring that new SOFR derivatives benefit from the Commission's post-trade transparency framework will support the market's transition away from LIBOR, and help foster – not hinder – liquidity formation.

[8] *See, e.g.*, Loon, Y. C., Zhong, Z. K., 2014. The impact of central clearing on counterparty risk, liquidity, and trading: Evidence from the credit default swap market. Journal of Financial Economics, available at: https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2176561; Loon, Y. C., Zhong, Z. K., 2015. Does Dodd-Frank affect OTC transaction costs and liquidity? Evidence from real-time CDS trade reports. Journal of Financial Economics, available at: http://papers.ssrn.com/sol3/papers.cfm?abstract_id=2443654.

[9] *See, e.g.*, "SOFR Market Developments" from Clarus Financial Technology, available at https://www.clarusft.com/sofr-market-developments/.

III. A Forward-Looking Plan Should Be Developed to Bring SOFR Derivatives Under the Clearing Mandate

As trading activity in cleared SOFR derivatives increases, we recommend that the Commission support this transition by developing and communicating a forward-looking plan to apply the clearing mandate to these instruments. Research has found that central clearing has a positive impact on market liquidity.[10] In addition, a clearing mandate has several important advantages compared to voluntary incentives, including (a) increasing the availability of client clearing offerings,[11] (b) consolidating liquidity (which may be bifurcated between the cleared and uncleared versions of the instrument), and (c) providing clients with confidence that there will be sufficient cleared liquidity to properly risk manage their positions.

With more than $100 billion of SOFR derivatives already cleared,[12] we recommend that the Commission regularly re-assess market conditions pursuant to its existing framework for making clearing requirement determinations.[13] Ensuring that the SOFR derivatives market matures as a cleared market will mitigate systemic risk, increase market transparency, and improve liquidity conditions for all market participants.

* * * * * * * * * *

We appreciate the opportunity to provide comments on interest rate benchmark reform. Please feel free to call the undersigned at (646) 403-8200 with any questions regarding these comments.

Respectfully,

/s/ Stephen John Berger
Managing Director
Global Head of Government & Regulatory Policy

CC: Dr. Heath P. Tarbert, Chairman
Mr. Brian D. Quintenz, Commissioner
Mr. Rostin Behnam, Commissioner
Ms. Dawn DeBerry Stump, Commissioner
Mr. Dan M. Berkovitz, Commissioner

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[10] *See* Loon, Y. C., Zhong, Z. K. 2015. Does Dodd-Frank affect OTC transaction costs and liquidity? Evidence from real-time CDS trade reports, Journal of Financial Economics at page 4, available at: http://papers.ssrn.com/sol3/papers.cfm?abstract_id=2443654 ("the reduced counterparty risk and increased post-trade transparency associated with central clearing have beneficial effects on liquidity").

[11] *See* DAT Report at page 23.

[12] "Libor leaders: LCH brings SOFR swaps into the fold," Risk.net (June 19, 2019), available at: https://www.risk.net/derivatives/6707761/libor-leaders-lch-brings-sofr-swaps-into-the-fold.

[13] 77 Fed. Reg. 74284.

Non Responsive Record

From: Berger, Stephen [mailto:Stephen.Berger@citadel.com]
Sent: Thursday, December 12, 2019 6:07 PM
To: Hutchison, Clark
Cc: Platt, Jonah
Subject: [EXTERNAL] RE: RE: FW: Letter from Citadel Regarding the Application of Certain OTC Derivative Market Reforms to SOFR Derivatives

Clark,

It was great to meet you on Tuesday... thank you again for taking the time to speak with us.

As we discussed, through past guidance, the Commission established straight through processing (STP) standards to ensure that:

(i) SEFs submit all cleared swaps to a CCP no later than 10 minutes after execution (though notably, on the leading dealer-to-customer SEFs, this now happens in a matter of seconds); and

(ii) CCPs accept or reject transactions within 10 seconds of receipt.

This STP guidance has helped minimize delays between trade execution and clearing acceptance which, in turn, has positively impacted market structure evolution - allowing clients to access a broader range of trading counterparties while promoting price competition and liquidity formation.

As such, we believe is worth considering codifying the Commission's past STP guidance which, for reference, includes:

- Staff Guidance on Swaps Straight-Through-Processing (September 26, 2013): https://www.cftc.gov/sites/default/files/idc/groups/public/@newsroom/documents/file/stpguidance.pdf

- Staff Letter No. 15-67 Re: Straight Through Processing and Affirmation of SEF Cleared Swaps (December 21, 2015): https://www.cftc.gov/csl/15-67/download

We welcome the opportunity to discuss this topic further and answer any questions you may have.

Kind regards,

Stephen

From: Hutchison, Clark <c_hutchison@CFTC.gov>
Sent: Wednesday, December 04, 2019 5:16 PM
To: Berger, Stephen <Stephen.Berger@citadel.com>
Cc: Platt, Jonah <Jonah.Platt@citadel.com>
Subject: [EXT] RE: RE: FW: Letter from Citadel Regarding the Application of Certain OTC Derivative Market Reforms to SOFR Derivatives

330 on the 10th is great! See you then.

From: Berger, Stephen [mailto:Stephen.Berger@citadel.com]
Sent: Wednesday, December 4, 2019 2:32 PM
To: Hutchison, Clark
Cc: Platt, Jonah
Subject: [EXTERNAL] RE: FW: Letter from Citadel Regarding the Application of Certain OTC Derivative Market Reforms to SOFR Derivatives

Perfect, let's do 3:30pm then if that still works on your end. I will be joined by my colleague Jonah Platt as well. See you next week.

From: Hutchison, Clark <c_hutchison@CFTC.gov>
Sent: Tuesday, December 03, 2019 4:20 PM
To: Berger, Stephen <Stephen.Berger@citadel.com>
Subject: [EXT] RE: FW: Letter from Citadel Regarding the Application of Certain OTC Derivative Market Reforms to SOFR Derivatives

Hi I can meet on the 10th between 3 and 5....let me know what works.

From: Berger, Stephen [mailto:Stephen.Berger@citadel.com]
Sent: Tuesday, December 3, 2019 3:41 PM
To: Hutchison, Clark
Subject: [EXTERNAL] FW: Letter from Citadel Regarding the Application of Certain OTC Derivative Market Reforms to SOFR Derivatives

Also, I will be in DC next Tuesday, December 10th. Would you be available to meet for 30 minutes? I appreciate there may be an open meeting that morning, so perhaps in the afternoon?

In addition to the below, I would be interested in discussing a few other topics as well (e.g., LU clearing implementation, codification of STP guidance, cross border, etc.).

Regards,

Stephen

From: Berger, Stephen
Sent: Tuesday, December 03, 2019 3:36 PM
To: 'C_hutchinson@cftc.gov' <C_hutchinson@cftc.gov>
Subject: FW: Letter from Citadel Regarding the Application of Certain OTC Derivative Market Reforms to SOFR Derivatives

Clark

Re sending below, apologies that I had your e mail address wrong the first time around.

Stephen

From: Berger, Stephen
Sent: Tuesday, December 03, 2019 2:32 PM
To: 'jsterling@cftc.gov' <jsterling@cftc.gov>; 'ddewitt@cftc.gov' <ddewitt@cftc.gov>; 'chutchison@cftc.gov' <chutchison@cftc.gov>
Cc: Platt, Jonah <Jonah.Platt@citadel.com>
Subject: Letter from Citadel Regarding the Application of Certain OTC Derivative Market Reforms to SOFR Derivatives

Dear Josh, Dorothy and Clark,

Please find attached a letter containing our recommendations regarding the application of certain OTC derivative market reforms to swaps referencing SOFR (and other new risk free reference rates).

While we strongly support efforts by regulators to streamline a market-led transition from LIBOR to SOFR, we caution against exempting new OTC derivatives referencing SOFR from key pillars of the post-crisis financial reforms, such as uncleared margin requirements, public reporting, and mandatory clearing. Rather, we believe that the market for SOFR derivatives should be built on the solid foundation of these critical reforms in order to further secure and advance the objectives of mitigating systemic risk and increasing market stability, integrity, and efficiency.

We would welcome the opportunity to discuss our recommendations further or answer any questions you may have.

Kind regards,

Stephen Berger
Managing Director, Global Head of Government & Regulatory Policy
Citadel LLC
Office: (646) 403-8235
Mobile: (203) 807-6249
stephen.berger@citadel.com