



March 8, 2011

Mr. David A. Stawick
Secretariat
Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st St. NW
Washington, DC 20581

Re: RIN 3038-AD18

Dear Mr. Stawick:

National Futures Association ("NFA") appreciates the opportunity to comment on the Commission's proposed rulemaking regarding Core Principles and Other Requirements for Swap Execution Facilities ("SEF"). NFA's comments relate to a SEF's proposed ability to contract for regulatory services to be provided by a registered futures association ("RFA") or other registered entity and the proposed effective date for these rules, particularly as it impacts the proposed grandfathering provisions.

Contracting with an RFA for Provision of Regulatory Services

NFA is in agreement with the Commission's proposed Regulation 37.204(a) permitting SEFs to contract with an RFA or another registered entity for regulatory services to assist the SEF in complying with the applicable core principles. NFA strongly believes in the concept embodied in that subsection of the proposed rule and encourages the Commission to adopt proposed Regulation 37.204(a) in the final SEF rules.

NFA has provided regulatory services to designated contract markets ("DCMs") on a contractual basis for more than ten years. During that time, Commission staff has repeatedly approved DCM registrations based, in part, on NFA's provision of services to the DCM applicants. Commission staff has also conducted rule enforcement reviews of four DCMs for which NFA provided regulatory services, which reviews included examining NFA's provision of those services. In each instance, the Commission staff determined that NFA's trade practice and market surveillance services were adequate. NFA, based on its demonstrated ability to provide these types of regulatory services, fully expects that it will provide similar services to SEFs.



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The Commission has also proposed in Regulation 37.204(b) that a SEF that engages a third party to provide regulatory services must, among other things, conduct periodic reviews of the adequacy and effectiveness of the services provided. NFA agrees with the notion that a SEF that contracts with NFA for regulatory services should monitor the adequacy and effectiveness of NFA's services. NFA also believes that how this review is specifically achieved requires flexibility and is best addressed in the contract between the SEF and NFA (which is subject to Commission review as part of a SEF's application process) rather than in any further granular requirements contained in final rules.

Proposed Effective Date

Title VII of the Dodd-Frank Wall Street Reform and Consumer Protection Act generally provides a deadline of July 15, 2011 for final regulations. It also provides that the final regulations related to SEFs may become effective sixty days after their publication in the Final Register, but no earlier than July 15, 2011. The Commission has proposed that the final regulations be effective 90 days after publication in the Federal Register. If the final regulations are published in the Federal Register on July 15, 2011, then the proposed effective date of the final regulations would be approximately October 15, 2011. NFA is concerned that an October 15, 2011 effective date is too ambitious.

Under the temporary grandfather relief rules contained in proposed Regulation 37.3(b), an applicant for SEF registration could request that the Commission allow the SEF to continue to operate while the Commission considers its application. In order to receive the grandfather relief, the SEF must, among other things, certify that it currently complies with the Part 37 requirements. Consequently, to remain in business, the applicant would need to certify that as of October 15, 2011, it was in fact complying with all of the Commission's final regulations in Part 37 governing SEFs. As noted above, if allowed under the final regulations, NFA expects that it will provide regulatory services to SEFs that will assist them in complying with the Commission's regulations. Consequently, under the proposed rules, NFA would need to begin providing these regulatory services by October 15, 2011 to SEFs that contract with NFA and wish to continue conducting business under the temporary grandfather relief.



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The Commission issued its proposed rules on January 7, 2011. Since that time, NFA has been engaged in designing the systems it will need to conduct trade practice and market surveillance for SEFs and planning for the increased staff and other resources that will be necessary to provide these services. After the systems design is complete, NFA will begin coding and general testing. However, these systems will still need to be tested for each SEF that contracts with NFA.

Based on the progress NFA has made to date, and assuming the final rules are substantially similar to the proposed rules, NFA expects that it will be ready to provide regulatory services to SEFs on the later of January 1, 2012, or six months following the publication of the final SEF rules. A critical element of NFA's timely completion of the systems will be ongoing discussions with Commission staff as final rules are being drafted so that NFA can incorporate into the systems design any variations from the proposed rules that the Commission intends to adopt in the final rules. Without this continuing dialogue, it may not be possible for NFA to have its systems ready in a timely fashion. Therefore, NFA suggests that the Commission make the final regulations effective no earlier than the later of January 1, 2012, or six months after the date the final regulations are published.

If you have any questions concerning this letter, please do not hesitate to contact the undersigned at (312) 781-1413 or tsexton@nfa.futures.org or Michael J. Crowley at (312) 781-1388 or mcrowley@nfa.futures.org.

Respectfully submitted,

A handwritten signature in blue ink, appearing to read "T. Sexton", is written over a blue circular scribble.

Thomas W. Sexton
Senior Vice President and General
Counsel