



June 3, 2011

David A. Stawick  
Secretary of the Commission  
Commodity Futures Trading Commission  
1155 21st Street, N.W.  
Washington, DC 20581

**Re: Reopening and Extension of Comment Periods for Rulemakings  
Implementing the Dodd-Frank Wall Street Reform and Consumer Protection  
Act (RIN 3038-AD18)(76 FR 25274)**

Dear Mr. Stanwick:

Phoenix Partners Group LP submits this letter to the Commodity Futures Trading Commission (“CFTC”) in response to its re-opening and extending comment on proposed rulemaking on Core Principals and Other Requirements for Swap Execution Facilities published on January 7, 2011 (the “Proposed Rules”) under Title VII of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the “Act”).

Phoenix Partners Group LP is the corporate parent and wholly owns Phoenix Derivatives Group LLC (“Phoenix”), a FINRA regulated inter-dealer broker. As an inter-dealer broker that has, since 2005, provided a marketplace for, among other things, buyers and sellers of Credit Default Swap (“CDS”) index and single name products, and intends to submit an application to register as a swap execution facility (“SEF”)<sup>1</sup>, Phoenix submits the following additional comments based upon our experience as an established broker in the over-the-counter (“OTC”) credit swap marketplace and based upon our understanding of and experience in how the credit derivative products governed by the Act and the Proposed Rules currently trade.

As previously indicated in our initial comment letter to the CFTC dated March 7, 2011 (the “Initial Comment Letter”), we recommend and fully support a “phased in” approach which would allow the markets to properly adapt to the wholesale changes envisioned under the Act. As swaps trading in the United States is a complex, multi-

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<sup>1</sup> We will also be registering as a security-based swap execution facility with the Securities and Exchange Commission (the “SEC”).

trillion dollar market which has developed organically over a period of decades, it is unreasonable to expect a smooth transition without market disruptions if a “big bang” method of rule implementation is utilized. While this is partially true due to the fundamental nature of the way these markets have developed, it is exacerbated by the current lack of finality in the rule making process.

The Proposed Rules contemplated full implementation 90 days subsequent to the publication of the final regulations in the Federal Register. As discussed in our Initial Comment Letter, the level of proposed change contemplated under the Act to the way swaps markets will operate cannot be overstated. While we (and, we assume, other prospective SEFs) are currently working to adapt our current systems and build-out the systems not currently in place as required by the Proposed Rules, our current efforts are truly aiming for a moving target. Neither we nor any other prospective SEF (or any other industry participant) can predict the impact on the final rules resulting from: (i) both the dozens of comments received by the CFTC relating to the Proposed Rules and the thousands of comments received by the CFTC relating to all proposed rules under the Act, (ii) the results of any rulemaking harmonization between the CFTC and the SEC, (iii) comments from lawmakers regarding their original legislative intent regarding the Act, (iv) the impact of the numerous industry roundtables and other events held by the CFTC and SEC to gain additional color on both the Proposed Rules and all proposed rules under the Act, (v) studies undertaken by both the CFTC and SEC to measure potential financial impact of the Proposed Rules and all proposed rules under the Act, (vi) the status of CFTC and SEC discussions with foreign regulators regarding their initiatives to regulate swaps trading or (vii) any number of other externalities which may have already impacted the rule making process or may impact the process between the date of this letter and the date of publication of final rules. Even minor or seemingly nuanced changes to Proposed Rules could require significant, time-consuming alterations to our (and other potential SEFs) technology platform(s). Major changes to the Proposed Rules would certainly require fundamental alterations to our platform. Given the level of uncertainty surrounding what form the final rules may take, we suggest that it would not be prudent to provide comment upon any hard timeline regarding implementation of the final rules nor is it advisable for the CFTC to set a hard timeline concurrently with the publication of the final rules. Instead, we would recommend providing the public with the final rules prior to requesting comment as to how to best set a timeline for implementation such that the public and the industry can provide informed and tangible feedback to the CFTC after they have had the chance to examine the actual rules going into effect.

While it is not currently possible to opine with any certainty as to how long it will take to implement concepts contemplated under the Proposed Rules, it is possible to discuss our position on the proper ordering of implementation of rules applicable to SEFs. We fully support both the move to a central clearing model and many aspects of post-trade transparency and data dissemination through Swap Data Repositories (“SDRs”) being implemented prior to any other SEF-related requirements, including (but not limited to) the requirement that swaps deemed “available to trade” be traded

on SEFs. Our view is that these two changes to the current OTC swaps trading model will have more immediate impact than that of any other change contained in the Proposed Rules in increasing overall transparency and reducing counterparty risk in the OTC swaps markets, thus achieving the Act's main goals of enhancing market integrity, improving existing market practices and mitigating systemic risk. Additionally, the technical elements necessary to implement these two changes are relatively straightforward and can be successfully implemented by the industry within a reasonable timeframe. However, in connection with implementing central clearing and reporting to SDRs, the CFTC must prioritize the creation of a protocol to establish standard legal entity and product identifiers. We risk Balkanization of data if different protocols are allowed to develop, creating a potentially expensive and time consuming bottleneck in both implementation and achieving greater market transparency.

We believe that other portions of the final regulations should be phased in over time. Rules relating to requirements for swaps deemed "available to trade" to be traded on SEFs, permitted execution methods, governance, block trades, risk management, position limits, financial resources and compliance will be more difficult and expensive to implement and require extensive changes in the current methods of conducting business in this industry for both us and our customers. Once final rules are made available for review, we would be pleased to provide additional comments to the CFTC as to our views regarding a proper timeline for implementation.

This additional comment period would have the additional benefit of allowing the CFTC and the industry to continue to study the possible effects of these key changes prior to final implementation and to adequately prepare for final implementation. Given the level of change contemplated by the Act, any "breathing room" provided for in the final rules will be utilized to help ensure that liquidity in the swaps markets is not harmed and that market disruption is minimized.

In conclusion, we await finality as to the form of the final rules before it would be possible for us to properly comment upon what the proper definitive phase-in timeline might be. We look forward to having the opportunity to provide additional comments to the CFTC once final rules have been promulgated. We appreciate the opportunity to comment to the CFTC and would be pleased to further discuss any questions the Commission may have with respect to this letter.

Very truly yours,



Nicholas J. Stephan  
Chief Executive Officer