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November 4, 2011

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

***Re: Proposed Swap Transaction Compliance and Implementation Schedule:  
Clearing and Trade Execution Requirements under Section 2(h) of the  
CEA – 76 Fed. Reg. 58186 (September 20, 2011)***

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Dear Mr. Stawick:

Tradeweb Markets LLC ("**Tradeweb**") welcomes the opportunity to comment on the compliance and implementation schedule proposed by the Commodity Futures Trading Commission ("**Commission**" or "**CFTC**") to phase in compliance with certain new statutory provisions enacted under Title VII of The Dodd-Frank Wall Street Reform and Consumer Protection Act (the "**Dodd-Frank Act**")<sup>1</sup> in order to facilitate the transition to the new regulatory regime established by the Dodd-Frank Act. Tradeweb participated in the joint public roundtable held by the Commission and the Securities and Exchange Commission ("**SEC**") on May 2 and 3, 2011 on implementation of final rules for swaps and security-based swaps under the Dodd-Frank Act, and following that, on June 3, 2011, Tradeweb submitted its initial comment letter on implementation. We appreciate the opportunity to comment further on the Commission's rulemaking proposals concerning implementation of the Title VII rules.

Since 1998, Tradeweb has offered a regulated electronic trading system for over-the-counter ("**OTC**") fixed income investors and has played an important role in providing greater transparency in and improving the efficiency of the trading of fixed income securities and derivatives. Indeed, Tradeweb has been at the forefront of creating electronic trading solutions which support price transparency and reduce systemic risk, the hallmarks of Title VII of the Dodd-Frank Act, and, accordingly, Tradeweb is supportive of the Dodd-Frank Act and its stated policy objectives relating to Title VII. Tradeweb has been an active participant in the ongoing public debate around Title VII of the Dodd-Frank Act, particularly with respect to swap execution facilities ("**SEFs**"). With our background and experience in providing regulated electronic markets to OTC market professionals, Tradeweb believes that it can provide the Commission with a unique and valuable perspective on the proposed rules and the implementation thereof. For these reasons and the reasons set forth more completely in previous

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<sup>1</sup> Pub. L. 111-203, 124 Stat. 1376 (2010).

comment letters to the Commission, Tradeweb has a significant interest in the proposed rules relating to the governance, operations and activities of SEFs and the implementation thereof.

### **Implementation**

As we have noted, we are supportive of the Dodd-Frank Act's goal of enhancing transparency and liquidity and reducing risk in the OTC derivatives markets. Specifically, as set out more fully in our June 3, 2011 letter to the Commission, we commend the Commission for taking a "class of market participant and asset class" approach to phasing in the broad and complex clearing, trade execution and reporting mandates. Indeed, we believe that the Commission's proposed rules on implementation properly contemplate leveraging the existing infrastructure and technology available to market participants and appropriately group market participants into different categories so that each category of market participant can comply with the mandates of Title VII within suitable time frames. We urge the Commission to maximize the existing market infrastructure for swaps as it phases in its rules.

Further to this point, we commend the Commission for proposing to implement clearing and trade execution rules in parallel, rather than on a sequential basis. This approach would allow SEFs to offer a swap for trading to market participants on a phased-in basis -- as the clearing mandate with respect to that swap is implemented for each category of market participant -- rather than require SEFs to wait to offer that swap until the clearing requirement has been implemented for all market participants. As a practical matter, this approach should allow all market participants to use the existing market infrastructure and make meaningful progress toward full, rather than partial, compliance with the clearing and trade execution requirements. In that regard, we further believe that any efforts by SEFs, derivatives clearing organizations ("*DCOs*"), and market participants to comply voluntarily with the Commission's rules in advance of the effective date for mandatory compliance will contribute to a smoother transition for the swaps market.

### **SEF Registration**

Tradeweb does, however, encourage the Commission to provide more clarity on implementation of the SEF registration requirements and their interaction with the clearing and execution requirements. We reiterate our support for bifurcation of the SEF registration requirements from other operational requirements proposed by the Commission for DCOs, swap data repositories and existing trading platforms (including SEFs), which would allow existing trading platforms such as Tradeweb to begin the registration process as a SEF prior to implementation of the trade execution requirements.

As set out more fully in our March 8, 2011 and June 3, 2011 letters to the Commission, we believe that separating the SEF registration process in advance of the effective date of the mandatory execution requirements and certain operational requirements of the core principles for SEFs would allow market participants to identify which entities intend to operate as SEFs and prepare to connect to those that best suit their commercial needs. In essence, we propose an earlier effective date for the SEF registration and related rules and, given the interdependencies of market participants and market infrastructures, a separate, later effective date for full

operational compliance by SEFs. Specifically, we encourage the Commission to clarify the process for registration of SEFs to allow an existing trading platform to file an application with the Commission and certify material compliance with the applicable SEF regulations at any point following publication of the final SEF registration and related rules (provided, of course, that SEFs can preview their applications with the Commission following the publication of the final rules, as feedback from the Commission and its staff will be critical given that SEFs are a new type of regulated entity).

As we understand it, upon the filing of a materially complete SEF application in good faith, an existing regulated trading platform currently operating as a SEF (i.e., currently offering the trading of swaps) would be a “provisional” SEF under the Commission’s proposed “grandfathering” rules, subject to Commission review and approval of the applicant as a SEF. In this regard, we believe that the Commission should give due consideration to which operational requirements should be required upon filing (e.g., demonstration of minimum trading functionality) and which are more appropriate for the latter phase (e.g., position limits or reporting), and exempt the requirements as appropriate. Following approval of the application by the Commission, the applicant would be a registered SEF, subject only to demonstration of full compliance with all applicable SEF operational requirements by such subsequent effective date.

This approach would enable the Commission, the SEC and market participants to evaluate and address any issues arising from trading swaps on SEFs *before* execution on such SEFs becomes mandatory, and, combined with voluntary trade execution and clearing rules prior to full implementation of those rules, would encourage early transition to SEF trading by market participants in an orderly fashion and would assist “provisional” SEFs in working with the Commission and its staff to ensure full compliance with all final rules. Such a process would also mitigate concerns about, among other things, certain aspects of the “SRO-like” responsibilities with which all SEFs must comply, and the scope of which may not be appropriate for certain trading models.

Relatedly, we request the Commission to clarify the operation of its proposed phase-in of SEF governance requirements. In its proposed rules regarding mitigation of conflicts of interest of DCOs, designated contract markets (“*DCMs*”) and SEFs, the Commission has proposed to permit each “existing DCO, DCM, and SEF to phase-in implementation of the final rules over two (2) years or two regularly-scheduled Board of Directors elections.”<sup>2</sup> First, it is our understanding that by an “existing SEF” (as it is used in this instance and in other proposed rules), the Commission means an existing OTC trading platform (such as Tradeweb) that currently offers the electronic trading of swaps. We encourage the Commission to clarify that such a trading platform would be eligible to file an application to register as a SEF and would be eligible for the two-year phase-in of SEF governance requirements. We further urge the Commission to clarify the scope of, and any requirements during, this phase-in period. For example, given the proposed governance requirements for a SEF’s committees, like the regulatory oversight committee (“*ROC*”), would an “existing” SEF be required to create a ROC prior to applying for registration as a SEF or simply at some point during this two-year phase-in

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<sup>2</sup> See 75 Fed. Reg. 63732 at 63745 (October 18, 2010).

period? If a SEF establishes a ROC prior to the end of the phase-in period, would the public director requirement apply immediately upon establishment of the ROC or could a SEF establish a ROC initially composed entirely of non-public directors during the phase-in period? We would suggest that if a ROC is required at the time of applying for registration (or by the time the trading mandate is imposed), that a SEF still be permitted to phase-in the public director composition of the ROC (or such other committees) within the two-year phase-in period. Otherwise, it would have the effect of undermining the rationale for the two-year phase-in period for public directors to sit on the SEF board.

**Requested Comments**

The Commission has also requested comment as to whether, when a swap is made available to trade after implementation of the clearing requirement with respect to that swap, thirty days is enough time for DCMs, SEFs and market participants to comply with the trade execution requirement, especially with respect to completing technological linkages. We believe that with respect to individual swaps, thirty days would be sufficient for SEFs and market participants (subject to the phased-in implementation of trade execution requirements by category of market participant). On the other hand, if the class of swap is being made available for trading for the first time, thirty days may not be sufficient, so the Commission should reserve the authority to determine the appropriate implementation period for any new class of swaps on a case-by-case basis, after soliciting input from SEFs, DCMs and market participants of all categories. In addition, as we have previously noted, as the Commission considers issues around timing for implementation, the more guidance the Commission can provide, the easier it will be for market participants and market infrastructures (like SEFs) to prioritize investment and resources allocated to implementation and thereby reduce unnecessary costs associated with implementation.

**Conclusion**

Tradeweb believes that the Commission's proposed implementation schedule is a constructive step toward reducing the risk of market disruptions or unintended consequences for market participants when mandatory clearing and trading rules take effect. We respectfully submit that any additional information and clarity on process and timing the Commission can offer on the topics discussed herein will allow for a smoother implementation of Title VII of the Dodd-Frank Act, without compromising its public policy objectives.

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*Mr. David A. Stawick*

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If you have any questions concerning our comments, please feel free to contact us. We welcome the opportunity to discuss these issues further with the Commission and its staff.

Sincerely,



Lee H. Olesky  
*Chief Executive Officer*



Douglas L. Friedman  
*General Counsel*

cc: Honorable Gary Gensler, Chairman  
Honorable Mark Wetjen, Commissioner  
Honorable Jill E. Sommers, Commissioner  
Honorable Bart Chilton, Commissioner  
Honorable Scott O'Malia, Commissioner