From: Dennis Kelleher
Sent: Wednesday, February 22, 2012 08:45 AM
To: Gensler, Gary
Cc: Juzenas, Eric; Dennis Kelleher
Subject: Re-proposed block trading rule

Mr. Chairman,

It has come to our attention that the Commission is thinking of proposed thresholds for the re-proposed block trading rule that may well result in many or most such trades not being done on SEFs, thereby defeating the key pillars of the Dodd Frank Act requiring transparency, accountability and oversight, not to mention a fair, open and competitive marketplace. This nascent marketplace and market infrastructure are at risk of being killed or crippled at the very beginning if the amount of trading allowed outside of SEFs etc. isn't kept to the absolute minimum and only for the most compelling reasons, ideally supported by conclusive and independent data and evidence.

As you know, the thresholds are critical because they determine how much of the swaps market will be required to trade on a SEF. A higher threshold is essential to promote new dealers and market makers to enter the market to compete with the incumbent dealers. Such competition will encourage liquidity, competition and lower prices as well as promote systemic stability. Of course, the incumbent dealers don't want any of that, particularly competition which will not only drive down their profits but also reduce their anti-competitive stranglehold on the marketplace. If the new market infrastructure is to work and if the goals of the law are to be achieved, then the rules must promote and enable competition and that requires more, not less, trading on SEFs (among other things of course).

I understand that some think it's best to start with a low threshold in the re-proposed rule so as not to disrupt the market, among other things. However, not only is there no basis for that in the data or the marketplace (as all the tests we've seen confirm), it'll inevitably drive the debate to a lower level than desirable to achieve the letter, spirit and intent of the law. Thus, the debate will not likely be balanced and will be skewed against market realities.

We would therefore urge you to double what we understand to be the current block threshold or move from 50% to 67% of the distribution test.

Thank you for your consideration of this and please do not hesitate to contact me if you have any questions or want to discuss further.

Dennis Kelleher
President & CEO
Better Markets, Inc.
(202) 618-6464 (p)