

September 6, 2012

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

Re: **RIN 3038-AD86 – Clearing Requirement Determination Under  
Section 2(h) of the CEA**

Dear Mr. Stawick:

The Commodity Futures Trading Commission ("CFTC") has requested public comment on its proposal establish a clearing requirement for certain swaps under Section 2(h)(1)(A) of the Commodity Exchange Act ("CEA"), as amended by Dodd-Frank. *See* 77 Fed. Reg. 47,170 (Aug. 7, 2012) (the "Proposed Rules"). MarketAxess Corporation (MarketAxess) is pleased to submit these comments in response. In our view, the CFTC is to be commended for its determination to subject the identified liquid index credit default swaps ("CDS") to Dodd-Frank's clearing mandate.<sup>1</sup>

MarketAxess Corporation ("MarketAxess") operates a leading electronic trading platform for investment industry professionals that promotes transparency, price discovery, competition and liquidity in the corporate bond and other markets, including credit default swaps ("CDS").<sup>2</sup> MarketAxess' current operations are consistent with the CFTC's Swap Execution Facility ("SEF") proposals for trading protocols, price transparency, audit trails, independence,<sup>3</sup> and financial resources. As soon as the CFTC finalizes its SEF rules and registration process, MarketAxess intends to apply for registration as a SEF. We currently provide electronic trading solutions for

---

<sup>1</sup> The CFTC also proposed that many interest rate swaps be subject to mandatory clearing. MarketAxess' comments focus only on CDS as it does not intend initially to list interest rate swaps for trading.

<sup>2</sup> MarketAxess Corporation is the principal operating subsidiary of MarketAxess Holdings Inc., a public company. We are regulated as a broker-dealer and as an alternative trading system operator by the U.S. Securities and Exchange Commission and the Financial Industry Regulatory Authority. Our principal offices are located in New York City, and we currently employ approximately 245 persons.

<sup>3</sup> Although initially a dealer-owned entity, MarketAxess Holdings Inc. is now a public company, with no dealer reporting ownership of 5% or more of MarketAxess' common stock. In addition, nine of the ten members of MarketAxess' Board of Directors meet the requirements for independence under the rules of the Nasdaq Stock Market.




CDS products that are subject to the CFTC's jurisdiction, including the index CDS products covered by the CFTC's proposed clearing determination. We therefore have an acute interest in, and appreciate the opportunity to submit public comment on, the CFTC's proposals that affect SEFs.

One of Dodd-Frank's hallmarks is mandatory clearing for standardized swaps. Under the statute, the CFTC must determine which swaps will be subject to mandatory clearing based upon five statutory factors that focus on trading volume, liquidity, ability of a derivatives clearing organization to clear the swap, and mitigation of systemic risk, among others.<sup>4</sup> The CFTC proposed its first clearing determination for certain index CDS that reference Markit's CDX.NA.IG, CDX.NA.HY, iTraxx Europe, iTraxx Europe Crossover, and iTraxx Europe High Volatility indices.

MarketAxess supports the Proposed Rules. The CFTC correctly determined that the index CDS subject to the proposed clearing determination satisfy the five statutory factors. These products are the most actively traded and liquid index CDS, and are suitable for mandatory clearing. These liquid index swaps are also proving to be suitable for electronic trading even before the new regulations are finalized.

The CFTC's proposed determination is an important step in reducing systemic risk and increasing transparency in swaps markets. We look forward to working with the CFTC to achieve the Congressional objective of promoting swap trading on SEFs. If you have any comments or questions about our comment letter or the SEF issues generally, please contact me or our General Counsel, Chuck Hood, at (212) 813-6053.

Respectfully,

  
Richard M. McVey  
Chairman and Chief Executive Officer  
MarketAxess Holdings Inc.

---

<sup>4</sup> CEA § 2(h)(2)(D)(ii).