



December 2, 2013

Via Electronic Submission: <http://comments.cftc.gov>

Ms. Melissa Jurgens
Secretary of the Commission
Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st Street NW
Washington, DC 20581

RE: Industry Filings: IF 13-004¹, IF 13-005², and IF 13-007³
Certifications to Implement Made Available-to-Trade Determinations for Certain Interest Rates Swaps from each of Javelin SEF, trueEX, and TW SEF

Dear Ms. Jurgens:

MKP Capital Management, L.L.C. (“MKP”)⁴ is pleased to provide comments to the Commodity Futures Trading Commission on the certifications from each of Javelin SEF, trueEX, and TW SEF to implement Made Available-to-Trade (“MAT”) determinations for certain Interest Rate Swaps (“IRS”).

We endorse the recommendations made in the Managed Funds Association’s November 21st comment letter,⁵ and believe that the Commission should adopt a phased implementation of the MAT determinations that focuses initially on the benchmark tenors in the relevant classes of swaps and uses a data-driven approach to prioritize the inclusion of non-benchmark tenors as well as package transactions in subsequent implementation phases. A similar phased implementation approach successfully facilitated the market’s transition to mandatory central

¹ <http://www.cftc.gov/stellent/groups/public/@otherif/documents/ifdocs/javelinsefsubmat1306r.pdf>

² <http://www.cftc.gov/stellent/groups/public/@otherif/documents/ifdocs/trueexsub201314mat.pdf>

³ <http://www.cftc.gov/stellent/groups/public/@otherif/documents/ifdocs/corpg5twmatdeter101813.pdf>

⁴ MKP is a diversified alternative investment manager with over \$8 billion in assets under management. MKP has operated with a long-term approach to alternative investing since its founding in 1995. MKP has been registered as an Investment Adviser with the U.S. Securities and Exchange Commission since 2000 and its London affiliate has been authorized and regulated by the U.K. Financial Conduct Authority since 2011. MKP invests across global markets, including U.S. and global rates, currencies, credit, equities and commodities through its discretionary global macro, credit and fixed income relative value strategies. Each investment strategy shares the objective of producing high risk-adjusted returns over the long term in a risk-controlled manner. MKP believes that business integrity and transparency are an essential and uncompromising part of our business model. With over 80 employees in New York and London, MKP operates with a full institutional infrastructure across risk management, marketing, technology, operations, legal and support.

⁵ Available at <http://comments.cftc.gov/PublicComments/ViewComment.aspx?id=59381>



clearing, and is warranted again to ensure a smooth and seamless transition to the mandatory trading of certain IRS on swap execution facilities and designated contract markets.

In particular, MKP believes that the Commission should adopt a phased approach with respect to transactions involving unwinding of existing interest rate swap positions. The purpose of such phased in approach would be to enable the SEF platforms to first implement the operational functionality necessary to facilitate such transactions.

MKP has been actively trading Interest Rate Swaps electronically for over six years and has a strong understanding of the different functionality currently available on various platforms. MKP agrees that IRS unwind transactions should ultimately be mandated to be done via a SEF. However, we do not believe the various SEF platforms are currently in a position to facilitate such unwind transactions, nor do we believe they could be in such a position by February 2014.

Speaking firsthand, despite having tried to coordinate unwind transactions on multiple occasions, to date we have been able to successfully unwind only a single trade on a SEF. That one trade required multiple days of coordination with the applicable SEF, FCM and counterparty. We have subsequently tried to unwind other such trades on a SEF, but have been unable to do so due to the lack of sufficient operational functionality between the SEFs and the requisite dealers. We believe that such functionality can and will be implemented, but that the SEFs, FCMs and dealers require additional time to implement. We believe there also should be allotted sufficient time for the testing of such functionality and related workflows prior to subjecting such systems to the trade volume that will result from a MAT determination. We believe the time frames referenced in the MFA's comment letter should be sufficient for this purpose.

We appreciate the opportunity to provide comments on the MAT certifications. Please feel free to contact the undersigned at 212-303-7100 with any questions regarding these comments.

Respectfully,

/s/ Thomas D. DeVita
Managing Member