



December 4, 2013

Via E-Mail Submission: secretary@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 13-004 and 13-007 – Supplemental Comment Letter

Certification from Javelin SEF, LLC (“**Javelin SEF**”) to Implement Available-to-Trade Determinations for Certain Interest Rate Swaps, as further amended (IF 13-004)¹

Certification from TW SEF LLC (“**TW SEF**”) to Implement Available-to-Trade Determinations for Certain Interest Rate and Credit Default Swaps, as amended (IF 13-007)²

Dear Ms. Jurgens:

Managed Funds Association (“**MFA**”)³ would like to take this opportunity to provide supplemental comments to the Commodity Futures Trading Commission (the “**Commission**”) on the certifications from Javelin SEF and TW SEF to implement “made available-to-trade” (“**MAT**”) determinations, in light of the amendments that Javelin SEF and TW SEF each filed with the Commission at the close of business on November 29, 2013. MFA submitted its original comment letter regarding these MAT determinations on November 21, 2013 (the “**Initial MFA Letter**”).⁴ Capitalized terms used but not otherwise defined herein have the meanings set forth in the Initial MFA Letter.

¹ See <http://www.cftc.gov/stellent/groups/public/@rulesandproducts/documents/ifdocs/rul112913javsef001.pdf>.

² See <http://www.cftc.gov/stellent/groups/public/@otherif/documents/ifdocs/twsefamendmatltr112913.pdf>.

³ Managed Funds Association (MFA) represents the global alternative investment industry and its investors by advocating for sound industry practices and public policies that foster efficient, transparent, and fair capital markets. MFA, based in Washington, DC, is an advocacy, education, and communications organization established to enable hedge fund and managed futures firms in the alternative investment industry to participate in public policy discourse, share best practices and learn from peers, and communicate the industry’s contributions to the global economy. MFA members help pension plans, university endowments, charitable organizations, qualified individuals and other institutional investors to diversify their investments, manage risk, and generate attractive returns. MFA has cultivated a global membership and actively engages with regulators and policy makers in Asia, Europe, the Americas, Australia and many other regions where MFA members are market participants.

⁴ See <http://comments.cftc.gov/PublicComments/ViewComment.aspx?id=59381>.

I. Executive Summary

MFA welcomes the revisions made by Javelin SEF and TW SEF in their amended MAT determinations. With respect to outright swaps, the amended MAT determinations' focus on spot-starting Benchmark Swaps is closely aligned with the scope we recommended for Day 1 SEF trading under our phase-in approach. With respect to Package Transactions, we generally support the revisions and the statements made by TW SEF and Javelin SEF that their MAT determinations (i) do not apply to Package Transactions and (ii) do not apply to swaps that are executed as legs of Package Transactions. We continue to believe that our phase-in approach will strike the appropriate balance by bringing the benefits of SEF trading to the most liquid products while ensuring that the migration to SEF trading does not inadvertently disrupt markets. We note that the SEFs themselves may well implement such a phase-in approach via a series of staggered MAT determinations.⁵

II. Outright Swaps

In the Initial MFA Letter, we recommended that for fixed-to-floating rate swaps, Day 1 of the phase-in schedule be limited to spot-starting USD and EUR Benchmark Swaps. We further recommended that GBP Benchmark Swaps, basis swaps, OIS, and FRAs not be included on Day 1.

Javelin SEF

Javelin SEF has revised its MAT determination to, among other changes, (i) remove basis swaps, OIS, and FRAs, (ii) remove forward-starting fixed-to-floating rate swaps, (iii) remove GBP swaps, and (iv) limit the scope of spot-starting fixed-to-floating rate swaps to the benchmark tenors. We agree with all of these revisions.

TW SEF

TW SEF has revised its MAT determination to, among other changes, remove basis swaps and OIS. While we support this revision, we continue to believe that, as part of a phase-in approach for the fixed-to-floating rate swap class, GBP swaps belong in Phase 2 (at T+180).

III. Package Transactions

In the Initial MFA Letter, we recommended that Package Transactions not be included on Day 1 of a phase-in. Instead, we recommended a phase-in of mandatory SEF trading for Package Transactions in order (i) to allow the market to first transition to SEF trading of outright Benchmark Swaps, which are the building blocks for a wide array of Package Transactions, and

⁵ We also note that this appears to be yet another procedural option for effecting a phase-in, in addition to those we suggested in the Initial MFA Letter. *See id.* at fn. 6.

(ii) to afford market participants time to resolve a number of current legal, operational and technological limitations to SEF trading of Package Transactions.

Javelin SEF

Javelin SEF's revised MAT determination itemizes a number of "Excluded Products", including "Offset/terminations packages that include one or more MAT instruments" and "Compound strategy transactions that include one or more MAT instruments."⁶ These exclusions correspond to the discussion of "Unwind or Offset Packages" and "Package Transactions" in Sections III and IV, respectively, of the Initial MFA Letter. Javelin SEF further specifies that the exclusions cover "Swap Curves; Swap Butterfly; MBS Basis; Invoice Spreads; Cash Futures Basis; and Delta Neutral Option Packages: Caps, Floors, or Swaptions." This specified list is consistent with the list of Package Transactions itemized in Section III.A of the Initial MFA Letter.⁷ We therefore agree with these revisions to the Javelin SEF MAT determination.

Javelin SEF's revised MAT determination continues to include one type of Package Transaction -- USD Benchmark Swaps Spreads. We continue to support a phase-in for swap spreads, with USD Benchmark Swaps Spreads in Phase 1 at T+90. As stated in the Initial MFA Letter, we have reservations about including swap spreads on Day 1, given that "it remains uncertain how a SEF can facilitate and/or guarantee the settlement of the government bond leg of the transaction."⁸

TW SEF

We agree with the statements regarding Package Transactions made by TW SEF in the cover letter to its amended MAT determination, and specifically, its clarification that "Tradeweb's determination for MAT only applies to outright transactions with single legs and did not include packaged trades."⁹ TW SEF correctly notes that "not all package trades for which one component has been listed on SEFs have been listed as a whole on a SEF" and that "even where a packaged trade is listed on a SEF, there can be significant operational issues associated with trading the "package" as one transaction."¹⁰

⁶ See *supra* n. 1 at pp. 5-6.

⁷ See *supra* n. 4 at pp. 13-14.

⁸ *Id.* at p. 19.

⁹ See *supra* n. 2, "Section A. Package Trades" at pp. 1-3.

¹⁰ *Id.*

trueEX

We would finally like to note that the revisions and statements made by Javelin SEF and TW SEF with respect to Package Transactions are consistent with the approach taken by trueEX in its MAT determination, where trueEX stated: “For the avoidance of doubt, trueEX’s MAT determination for both par coupon IRS and SCSMTM IRS are limited to outright and single stand-alone transactions only. There is not sufficient evidence to support that there is the same or similar liquidity when a MAT IRS is traded as part of a strategy (e.g. if one or all legs of a switch or butterfly are MAT, or as part of a treasury spread or invoice spread) or as part of a portfolio (e.g. one or more line items of a package of positions to be terminated or compacted).”¹¹

We thank the Commission for the opportunity to provide further comments on the MAT certifications of Javelin SEF and TW SEF. We would welcome the opportunity to discuss our views in greater detail. Please do not hesitate to contact the undersigned or Laura Harper at (202) 730-2600 with any questions the Commission or its staff might have regarding this letter.

Respectfully submitted,
/s/ Stuart J. Kaswell

Stuart J. Kaswell
Executive Vice President, Managing Director &
General Counsel

cc:

The Hon. Gary Gensler, Chairman
The Hon. Bart Chilton, Commissioner
The Hon. Scott D. O’Malia, Commissioner
The Hon. Mark P. Wetjen, Commissioner

¹¹ See Section D at p. 5 of the trueEX MAT determination at:
<http://www.cftc.gov/stellent/groups/public/@otherif/documents/ifdocs/trueexsub201314mat.pdf>.