



MarketAxess SEF Corporation  
299 Park Avenue, 10th Floor  
New York, NY 10171

December 12, 2013

By Electronic Submission

Office of the Secretariat  
Commodity Futures Trading Commission  
Three Lafayette Centre  
1155 21<sup>st</sup> Street, N.W.  
Washington, DC 20581

RE: Response to Public Comments Regarding the MarketAxess SEF Corporation  
Made Available to Trade ("MAT") Submission of Certain Credit Default Swaps

Dear Ms. Jurgens:

We have reviewed the public comments submitted to the Commodity Futures Trading Commission ("CFTC" or "Commission") in response to MarketAxess SEF's MAT Submission.<sup>1</sup> We note in particular a statement in the comment letter filed jointly by ISDA and SIFMA that packaged trades should not be subject to the trade execution mandate.<sup>2</sup> We concur and hereby submit this letter to clarify that "Packaged Trades," as defined below, are excluded from our MAT determination.

For purposes of this letter, we define a "Packaged Trade" to mean a single transaction with two or more components for which: (i) one or more components has been designated Made Available to Trade and one or more components has not been designated Made Available to Trade and (ii) it is essential to the pricing of the single transaction that all components of the transaction be executed simultaneously as part of the same transaction by the same parties.

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<sup>1</sup> See MarketAxess SEF Corporation Made Available to Trade ("MAT") Submission of Certain Credit Default Swaps (Oct. 30, 2013), *available at* <http://www.cftc.gov/stellent/groups/public/@otherif/documents/ifdocs/marketaxessmatsub103013.pdf>. On October 31, 2013, the CFTC stayed the MarketAxess SEF MAT Submission for ninety days and allowed a thirty day public comment period. The MarketAxess SEF MAT Submission will become effective upon the expiration of the ninety day review period unless MarketAxess SEF Corporation is notified otherwise by the Commission.

<sup>2</sup> See ISDA and SIFMA Comment on MarketAxess Made Available to Trade Submission of Certain Credit Default Swaps (Nov. 27, 2013), at 4, *available at* <http://comments.cftc.gov/PublicComments/ViewComment.aspx?id=59389&SearchText=>.

One example of a Packaged Trade in the credit default swap market would be a transaction consisting of: (i) an option to buy a swap on a certain CDS index at a future date at a set price (the "Option"); and (ii) a swap on the same CDS index ("Underlying Swap"). When negotiating the price of the Option, a party will rely upon the presence of the Underlying Swap to reduce the volatility of the option, thereby allowing that party the ability to offer its counterparty a better price on the Option. It is essential to the pricing of the Option part of the transaction that the Option not be severed from the Underlying Swap. Less risk is incurred by entering into the Option as an integrated transaction that includes the Underlying Swap than by entering solely into the Option, and better pricing is available for the Option when entering into the Option as an integrated transaction.

**Packaged Trades Are Not Sufficiently Liquid**

Packaged Trades are bespoke products which are distinct from the products listed in the MarketAxess SEF's MAT Submission. Packaged Trades are not sufficiently liquid to be subject to the trade execution mandate, even if one of the components of a Packaged Trade is listed in the MarketAxess SEF's MAT Submission. MarketAxess SEF did not address the applicability of any of the six factors to Packaged Trades in the MarketAxess SEF MAT Submission because the MarketAxess SEF does not believe that any Packaged Trade is sufficiently liquid to be considered made available to trade at this time.

Sincerely,



Ron Steinfeld  
Chief Compliance Officer  
MarketAxess SEF Corporation  
December 12, 2013