



asset management group

KISS Initiative – Appendix 4

EXECUTING¹

I. Optimize Central Execution of Swaps and Address Known Flaws in Existing Regulations

A. Commission’s Regulatory Goals

We believe that the Commission, in setting mandates for centrally executing swaps (*i.e.*, the “made available to trade” (“MAT”) determination), has sought to advance its mission of fostering open, transparent, competitive, and financially sound markets.

B. Excessive Regulatory Burdens and Adverse Impact

The Commission, as a first-mover and within a legislatively-mandated compressed timeframe, established a framework for mandating the central execution of swaps. While the core of these requirements has led to market improvements and efficiencies, the standards have well-known flaws that require adjustment. AMG has stated its concerns and recommended changes in many letters submitted with the Commission. Most recently, AMG submitted a letter on May 17, 2017 to staff of the Division of Market Oversight setting forth its current recommendations.²

C. Recommendations

AMG recommends that the Commission:

1. Expand permitted modes of swap execution for swaps mandated for trading on SEFs (“Required Transactions”) in order to provide for a less prescriptive, more principles-based approach that balances transparency, competition, and liquidity through a flexible set of rules; any means of execution that provides sufficient pre-trade price transparency and preserves competitive execution should be available.

¹ Should you have any questions regarding AMG’s response, please contact Tim Cameron at 202-962-7447 or tcameron@sifma.org, or Laura Martin at 212-313-1176 or lmartin@sifma.org, or Ruth Epstein, Stradley Ronon Stevens & Young, LLP, at 202-292-4522 or repstein@stradley.com.

² SIFMA Letter regarding Recommendations regarding Swap Execution Facilities (May 17, 2017), available at: <https://www.sifma.org/resources/submissions/sifma-amg-provides-updated-recommendations-to-the-cftc-regarding-swap-execution-facilities/>

2. Fix known and identified problems with the MAT standards without making the MAT standards synonymous with the clearing requirement standards; certain market conditions should be met in order to require central execution, separate and apart from market conditions needed to require central clearing.
3. Require adjustment of DCM rules that prevent efficient pricing between swaps markets and futures markets.
4. Maintain strong impartial access requirements and continue non-discriminatory eligibility criteria for any market participant to become a SEF member.
5. Codify existing no-action relief covering the “occur away” requirement for block transactions, the ability to correct operational or clerical errors for certain cleared SEF trades, and the simplification of post-trade confirmation protocol requirements.

II. Additional Execution Recommendations

In addition to the foregoing, AMG recommends that the Commission:

1. Require SEFs to employ a consistent and uniform approach to correct trade errors for certain cleared swaps executed on a SEF. At present, there are significant gaps among the approaches to correct a trade error based on the Central Counterparties (“CCP’s”) infrastructure and trade correction architecture. While we do not seek to change the standard for which errors may be corrected, AMG recommends that the Commission either adjust its no-action relief, CFTC Letter 17-27, or impose certain trade error processing requirements that apply uniformly across CCPs.
2. Decline expansion of federal position limits as not necessary or, if deemed necessary, only apply limits tied to avoidance of excessive speculation tailored to contract and market specifications.³
3. Abandon promulgation of Regulation Automated Trading or, if deemed necessary, focus on non-redundant risk controls without use of a burdensome Automated Trading Person category.⁴

³ For AMG’s position on the Commission’s most recent proposal, see SIFMA AMG’s Comment Letter (Feb. 28, 2017), available at: <https://www.sifma.org/resources/submissions/sifma-amg-and-other-associations-submit-comments-to-the-cftc-on-position-limits-for-derivatives/>.

⁴ For AMG’s position on the Commission’s most recent proposal, see SIFMA AMG’s Comment Letter (May 1, 2017), available at: <https://www.sifma.org/resources/submissions/sifma-amg-submits-comments-to-the-cftc-on-reg-at/>.