CITADEL

March 2, 2020

Mr. Christopher J. Kirkpatrick
Secretary
Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st Street NW
Washington, DC 20581

Re: Post-Trade Name Give-Up on Swap Execution Facilities (RIN 3038–AE79)

We appreciate the opportunity to provide comments to the Commodity Futures Trading Commission (the "Commission") on its proposal to prohibit post-trade name give-up ("name give-up") for swaps that are executed anonymously on swap execution facilities ("SEFs") and intended to be cleared (the "Proposal").[1]

This Proposal is designed to effectuate a simple principle: "**SEF trading that starts anonymous should remain anonymous**."[2]

There is broad-based support for this principle from buy-side institutional investors[3] and liquidity providers interested in entering the swaps market,[4] among others. Feedback from these groups details how the continued use of name give-up by certain SEFs operated by interdealer brokers ("IDBs") has stifled customer choice and market competition, effectively limiting access to these SEFs to a handful of swap dealers in a manner that is inconsistent with the statutory mandate for SEFs to provide market participants with impartial access.

Our response to the Proposal is informed by the market experience of two separate and distinct businesses – Citadel, a global investment firm, and Citadel Securities, a leading global market maker:

- *Citadel.* Citadel is a leading investor in the world's financial markets, including in OTC derivatives markets regulated by the Commission. Despite having interest in accessing the liquidity available on IDB SEFs, Citadel has been unable to do so as a result of concerns related to information leakage and potential retaliation arising from the continued use of name give-up on these SEFs.

[1] 84 FR 72262 (Dec. 31, 2019), available at: https://www.cftc.gov/sites/default/files/2019/12/2019-27895a.pdf.

[2] Joint Statement of Chairman Heath Tarbert, Commissioner Rostin Behnam, and Commissioner Dan Berkovitz in Support of Proposed Rule Restricting Post-Trade Name Give-Up (Dec. 18, 2019), available at: https://www.cftc.gov/PressRoom/SpeechesTestimony/tarbertbehnamberkovitzjointstatement121819.

[3] *See, e.g.*, letters from MFA, SIFMA AMG, ICI, Vanguard, and the FHLBs at https://comments.cftc.gov/PublicComments/CommentList.aspx?id=3066.

[4] *See, e.g.*, letters from FIA PTG and CTC at https://comments.cftc.gov/PublicComments/CommentList.aspx?id=3066.

- *Citadel Securities.* Citadel Securities is a leading global market maker across a broad array of fixed income and equity products, and entered the interest rate swaps market as a new liquidity provider following the transition to SEF trading. Citadel Securities has become one of the top liquidity providers in this market and is a registered swap dealer. In order to enter the market as a liquidity provider, Citadel Securities required access to, and thus joined, IDB SEFs for hedging purposes. As a result, Citadel Securities commonly utilizes trading protocols that currently require the use of name give-up and has witnessed how certain other swap dealers can use name give-up for purposes that are inconsistent with the Commission's impartial access requirements. Immediately following our entry as a new liquidity provider, this included other swap dealers monitoring whether they were matched with Citadel Securities and attempting to cancel already-executed trades if they were matched with Citadel Securities. Importantly, as a top liquidity provider in these markets, Citadel Securities does not expect a prohibition on name give-up to negatively affect liquidity provision.

The experiences of both businesses demonstrate why incumbent dealer banks oppose the Proposal and have worked to ensure that IDB SEFs continue to use name give-up for cleared swaps.[5] Below, we explain why their arguments against the Proposal are unsubstantiated and reflect nothing more than a self-interested desire to hinder customer choice and insulate themselves from competition by continuing to limit access to the IDB SEFs.

We also note that, given this resistance from incumbent dealer banks, it is important for the Commission to take additional steps to prevent evasion when finalizing the Proposal. In particular, we are concerned that voice brokers, operating either within a SEF or through an affiliated introducing broker, may seek to evade any prohibition on name give-up by pre-negotiating or pre-arranging trades anonymously and then disclosing counterparty identities prior to formally executing the transaction on the SEF. In Section F below, we provide suggested language to address this concern, consistent with the overarching principle that if a cleared swap is traded anonymously (including through pre-negotiation or pre-arrangement), it should stay anonymous.

[5] *See, e.g.*, letters from SIFMA, Financial Services Forum, ABA, J.P. Morgan, Citi, and TP ICAP SEFs at: https://comments.cftc.gov/PublicComments/CommentList.aspx?id=3066; and Karen Brettell, "Banks' pressure stalls opening of US derivatives trading platform," Reuters (Aug. 27, 2014), available at: https://www.reuters.com/article/usa-derivatives-banks-idUSL1N0QW1T220140827.

Responses to the Questions in the Proposal

A. Statutory Basis for Commission Action

(1) Does post-trade name give-up undermine the Commission's stated goals of impartial access to (i) ensure market participants can compete on a level playing field, and (ii) allow additional liquidity providers to participate on SEFs? Please explain why or why not, and include any supporting data.

As detailed in the feedback submitted to the Commission,[6] name give-up has significantly impeded access to IDB SEFs for buy-side institutional investors. In order for a buy-side firm to transact on an IDB SEF that requires name give-up, it would have to be prepared to endure the information leakage associated with sharing its trading activity in a random and uncontrolled fashion with not just dealers but also other buy-side firms, since it could be matched with anyone when using a pre-trade anonymous trading protocol.[7] The prospect of sharing proprietary trading information with firms that may be direct competitors is simply unworkable for most buy-side firms. In addition, the buy-side firm would have to be prepared to manage any retaliation resulting from dealers using name give-up to learn that the firm had joined a venue that previously had been dealer-only.

To further illustrate this point, one need only compare (a) the number of buy-side firms trading on Bloomberg SEF or TW SEF with (b) the number of buy-side firms trading on IDB SEFs (such as tpSEF or BGC Derivative Markets). This disparity is not due to a lack of interest (as evidenced by the feedback submitted by trade associations representing a broad array of buy-side firms), but rather is a direct result of the continued use of name give-up.

A practice that, with no legitimate operational or legal justification, effectively limits access to the IDB SEFs to a handful of swap dealers is clearly discriminatory and inconsistent with the statutory mandate for SEFs to provide market participants with impartial access.[8] The Commission has consistently taken the view that the Commodity Exchange Act ("CEA") does not permit a SEF to adopt rules or practices that limit access to certain types of market participants, such as swap dealers.[9] Through rulemaking and guidance, the Commission has implemented this statutory mandate by prohibiting not only discriminatory access criteria, but also discriminatory trading practices and fee structures.[10] Name give-up is the most significant remaining such barrier preventing buy-side firms from trading on certain SEFs and we support the Commission exercising

[6] *Supra* note 2.

[7] Depending on the trading protocol, a single buy-side firm could be matched with multiple counterparties while entering into a large position, each of which would have visibility into the buy-side firm's proprietary trading activity due to name give-up.

[8] CEA Section 5h(f)(2)(B)(i).

[9] See 78 FR 33476 (June 4, 2013) at 33507-8, available at: https://www.cftc.gov/sites/default/files/idc/groups/public/@lrfederalregister/documents/file/2013-12242a.pdf

[10] *See, e.g.*, *id.*, §37.202(a)(3), and Staff Guidance on Swap Execution Facilities Impartial Access (November 14, 2013), available at http://www.cftc.gov/idc/groups/public/@newsroom/documents/file/dmostaffguidance111413.pdf.

its clear statutory authority to prohibit this discriminatory trading practice.

In addition to impartial access, we agree with the Commission that prohibiting name give-up (i) promotes swap trading on SEFs consistent with CEA section 5h(e), (ii) promotes fair competition among market participants consistent with CEA section 3(b), and (iii) gives effect to the information privacy requirements in CEA section 21(c)(6) and Commission regulation §49.17(f)(2).

B. Scope of Instruments Covered by the Prohibition

(2) Should the Commission narrow the scope of the proposed prohibition on post-trade name give-up to apply only to swaps that are required to be cleared under section 2(h)(1) of the Act, or alternatively, only to swaps that are subject to the trade execution requirement under section 2(h)(8) of the Act? Why or why not?

Name give-up should be prohibited for all swaps that are executed anonymously on SEFs and intended to be cleared. In this regard, the phrase "intended to be cleared" should mean "intended to be submitted for clearing contemporaneously with execution," consistent with prior Commission action.[11]

The practice of name give-up has no legitimate operational or legal justification for anonymously executed cleared swaps because (a) the Commission's straight-through-processing ("STP") requirements ensure that the swap is quickly submitted to, and accepted or rejected by, a derivatives clearing organization (and is considered void *ab initio* if rejected), and (b) the two trading counterparties do not have any credit, operational, or legal exposure to each other at any stage. This rationale for prohibiting name give-up applies equally to all swaps that are intended to be cleared, not just swaps subject to the clearing obligation or trading obligation. As a result, there is no rational basis for drawing such a distinction.

We note that SEFs may offer pre-trade anonymous trading protocols for swaps that begin as uncleared and then are "backloaded" into clearing by the trading counterparties at a later time. These would not be considered "intended to be cleared," and therefore would not be subject to any prohibition on name give-up, given that they are not submitted for clearing contemporaneously with execution.

C. Potential Impacts on SEFs, Trading Protocols, and Liquidity

(3) How, if at all, would a prohibition on post-trade name give-up affect pre-trade price transparency on a SEF operating an anonymous central limit order book?

Prohibiting name give-up for anonymously executed cleared swaps will require making minor modifications to the post-trade operational workflows on certain SEFs, but should have no pre-trade impact. Trading protocols that are pre-trade anonymous, such as anonymous order books,

[11] *See, e.g.*, Staff Guidance on Swap Execution Facilities Impartial Access (November 14, 2013) at FN 1, available at http://www.cftc.gov/idc/groups/public/@newsroom/documents/file/dmostaffguidance111413.pdf.

will continue to function exactly as they do today, providing the same level of price transparency to market participants. If anything, pre-trade transparency should be expected to increase following the elimination of name give-up, as more market participants are able to participate in these trading protocols, improving price discovery and liquidity.

The lack of any impact on how specific trading protocols operate underscores the minimal costs for SEFs associated with prohibiting name give-up (consistent with the Commission's cost-benefit analysis). On the post-trade side, the main middleware provider has already made available to SEFs an operational workflow that does not employ name give-up.[12] In addition, SEFs are already required to be ready to onboard both firms that are self-clearing members as well as firms that are customers of clearing members.[13] As a result, the technological changes required should be minimal, or in the words of an executive of an IDB SEF: "Should we be told not to by the regulators, we will flick a switch and the world will go on. It will not be a profound change and it's not going to require re-engineering the system."[14]

(4) How would the proposed prohibition on post-trade name give-up affect existing liquidity on SEFs? How would the proposed prohibition affect liquidity on central limit order books? Would the proposed prohibition indirectly affect liquidity on name disclosed request for quote systems? If so, how? In particular, please provide substantiating data, statistics, and any other quantifiable information related to any such comments.

Prohibiting name give-up for anonymously executed cleared swaps should have no impact on the liquidity available pursuant to other trading protocols, such as disclosed RFQ. Buy-side firms will continue to utilize disclosed RFQ trading protocols, and liquidity providers will continue to stream disclosed prices to clients and respond to RFQ requests.

With respect to pre-trade anonymous trading protocols, such as anonymous order books, prohibiting name give-up should be expected to increase liquidity. This is because, for the first time, buy-side firms will be able to meaningfully participate. As stated by UBS at a Market Risk Advisory Committee meeting: "Post-trade name give-up is often the number one hindrance to order book trading amongst our clients."[15] This is consistent with the feedback submitted to the Commission by buy-side firms and is consistent with the empirical event studies detailed in the Proposal's cost-benefit analysis.[16] In turn, we do not expect swap dealers to reduce their use of pre-trade anonymous trading protocols, given their importance for hedging purposes.

As further support of the above, Citadel Securities, as a top liquidity provider in these markets, does not expect a prohibition on name give-up to affect its liquidity provision on RFQ platforms

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[12] *See* letter from IHS Markit at https://comments.cftc.gov/PublicComments/CommentList.aspx?id=3066.

[13] *See* 78 FR 33476 (June 4, 2013) at 33508, available at: https://www.cftc.gov/sites/default/files/idc/groups/public/@lrfederalregister/documents/file/2013-12242a.pdf.

[14] Peter Madigan, "CFTC to Test Role of Anonymity in SEF Order Book Flop," Risk (Nov. 21, 2014), available at https://www.risk.net/derivatives/2382497/cftc-test-role-anonymity-sef-order-book-flop.

[15] Transcript of CFTC Market Risk Advisory Committee Meeting (Apr. 2, 2015) at 143, available at https://www.cftc.gov/About/CFTCCommittees/MarketRiskAdvisoryCommittee/mrac_meetings.html.

[16] *See* Proposal at 72269.

or its use of pre-trade anonymous trading protocols and we view claims to the contrary by incumbent dealer banks as completely unsubstantiated.

(5) Please explain the nature of any potential new liquidity on SEFs that may result from the proposed prohibition. For example, would liquidity increase due to a greater number of market participants trading and/or would liquidity increase due to additional market makers competing on affected SEFs?

As noted in our response to Question 4 above, the liquidity available pursuant to pre-trade anonymous trading protocols should be expected to increase given the ability for buy-side firms to meaningfully participate for the first time. Buy-side firms would be able to act as both liquidity providers and liquidity takers, increasing overall trading activity and liquidity.

In addition, a resulting increase in anonymous order book trading could lead to the entry of additional liquidity providers that are active in other fixed income products, such as bonds, futures, and ETFs.

(6) How, if at all, would the proposed prohibition on post-trade name give-up affect trading protocols such as auctions, portfolio compression, and/or workup sessions?

As noted in our response to Question 3 above, prohibiting name give-up will require making minor modifications to post-trade operational workflows on certain SEFs, but should not have any effect pre-trade, including with respect to the operation of specific trading protocols. If a trading protocol is pre-trade anonymous, there is no need to disclose the trading counterparties in order to engage in a work-up session. Therefore, work-up sessions on IDB SEFs will function just as they do today in order to facilitate trading in size. Similarly, a pre-trade anonymous auction or compression exercise should not require the disclosure of counterparty identities for intended to be cleared swaps. To the extent uncleared swaps are executed or the trading protocol is not pre-trade anonymous, then the name give-up prohibition would not apply.

(7) Is trading on a SEF platform with post-trade name give-up for anonymously executed, intended-to-be-cleared swaps preferable to a fully disclosed platform for a swap dealer's capital allocation purposes? If so, why?

A swap dealer cannot use name give-up to allocate capital among its customer base. This is because the disclosure provided by name give-up only occurs post-execution. When using a pre-trade anonymous trading protocol, the swap dealer has no control over who it will be matched with on the SEF, and therefore cannot control the allocation of capital. If the liquidity provider desired such control over who it was entering into transactions with, then it would presumably elect to use a disclosed trading protocol.

Instead, swap dealers are able to use name give-up as a post-trade check to ensure that they are only transacting with other swap dealer counterparties on IDB SEFs, thereby maintaining dealer-only liquidity pools in direct contradiction of statutory impartial access requirements.

(8) Please describe how post-trade name give-up currently helps swap dealers make markets in swaps, if at all.

As a top liquidity provider in these markets, Citadel Securities does not expect market making and liquidity provision to clients to be negatively affected by prohibiting name give-up. We note that other swap dealers share our view, as UBS has supported the prohibition and SIFMA indicated that the views among swap dealers "are not uniform."[17] In addition, both the empirical event studies detailed in the Proposal's cost-benefit analysis and experience in other fixed income asset classes, such as futures and US Treasuries, demonstrates that liquidity providers are fully capable of making markets without the presence of name give-up. We note that statements to the contrary in the handful of comment letters submitted on behalf of the largest incumbent bank swap dealers reflect nothing more than a self-interested desire to hinder customer choice and insulate those swap dealers from competition by continuing to limit access to the IDB SEFs.

(9) If the Commission were to prohibit post-trade name give-up as proposed in this notice, then how might that affect the prices that swap dealers quote to buy-side participants on SEFs operating name-disclosed, request for quote platforms?

As a top liquidity provider in these markets, Citadel Securities does not expect disclosed RFQ pricing to be affected by prohibiting name give-up. If anything, pricing should become more competitive, as buy-side firms gain access to additional sources of liquidity and will have more pre-trade price information on which to transact.

We note that some swap dealers have posited a hypothetical "gaming" concern as follows: a buy-side firm wants to buy, so therefore submits an aggressive order to sell in an anonymous order book with the hope of getting a swap dealer to match that aggressive selling price in a disclosed RFQ.[18] This scenario lacks credibility for a number of reasons, including (a) the buy-side firm would likely be executed on the aggressive sell order (which is in the opposite direction of the position the firm wishes to take), (b) there are significant reputational, legal, and regulatory risks associated with such behavior, and (c) there is no evidence of such behavior occurring in other asset classes that do not employ name give-up.

(10) How does the price for a given swap listed on a SEF operating an anonymous central limit order book compare to the price for an equivalent swap listed on a SEF operating a name disclosed request for quote system? How does the practice of post-trade name give-up relate to any such difference in price?

The comparison between (a) prices available through disclosed RFQs and (b) prices available through pre-trade anonymous trading protocols will depend on the type of cleared swap and the size of the trade. In addition, for purposes of this comparison, it is important to take into account all of the liquidity available through the pre-trade anonymous trading protocols offered by SEFs,

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[17] *See* letters from UBS Securities LLC and SIFMA at https://comments.cftc.gov/PublicComments/CommentList.aspx?id=3066.

[18] We use the terms "buy" and "sell" for illustrative purposes in this example, and appreciate that as a technical matter that in the interest rate swaps market the firms would be seeking to pay or receive a given fixed rate.

including order books, work-ups, voice, and auctions.[19]

One study found that, with respect to benchmark USD IRS, "in 92% of the scenarios, the mid-point price in the order book was better than that achieved via the RFQ."[20] However, even if pricing was similar, a client may prefer to execute certain transactions using an anonymous trading protocol in order to prevent the information leakage that occurs when sending a disclosed RFQ containing trading intentions. Ultimately, prohibiting name give-up appropriately gives the choice of how to best execute a particular transaction to the client. With access to both disclosed and truly anonymous trading protocols, a buy-side firm can make an informed decision regarding how to efficiently execute a cleared swap.

(11) Are there certain cleared swap classes for which post-trade name give-up serves a particularly important role for swap dealers for market-making or hedging purposes that would be adversely affected by a prohibition?

No. Please see our response to Question 8 above.

(12) How many and what types of additional liquidity providers (e.g., funds, proprietary trading firms, high-frequency traders) might join affected SEFs if post-trade name give-up were prohibited? Would these new participants be particularly interested in trading certain kinds of swap transactions (e.g., spread trades)? Would these new participants be floor traders, swap dealers, or another type of entity?

As noted in our response to Question 5 above, with meaningful access to IDB SEFs for the first time, buy-side firms may act as both liquidity providers and liquidity takers. This is common in other asset classes, such as equities and futures, where institutional investors account for a material percentage of resting bids and offers. One need only determine the number of buy-side firms trading on Bloomberg SEF or TW SEF in order to assess the potential impact.

In addition, a resulting increase in anonymous order book trading could lead to the entry of additional liquidity providers that are active in other fixed income asset products, such as bonds, futures or ETFs. We note that average daily trading volumes in cleared swaps are not conducive to "high-frequency" trading models.

(13) What other effects would a prohibition on post-trade name give-up have on the swap market?

It is important to note that by prohibiting name give-up for anonymously executed cleared swaps, the Commission is not mandating anonymous or "all-to-all" trading. Instead, the Proposal will ensure that buy-side firms have greater choice among trading protocols. The ability to access SEFs that offer anonymous trading protocols will allow buy-side firms to make even more informed decisions regarding how to efficiently execute a cleared swap. Market participants can

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[19] As an example, see the various trading protocols offered by BGC Derivative Markets at See http://www.bgcsef.com/wp-content/uploads/2017/01/BGC_Rulebook_12-13-16.pdf.

[20] Quantifying Interest-Rate Swap Order Book Liquidity, Greenwich Associates (March 9, 2016) at page 5, available at https://www.greenwich.com/fixed-income-fx-cmds/quantifying-interest-rate-swap-order-book-liquidity.

of course continue to use disclosed trading protocols such as RFQ and will still have the ability to bilaterally negotiate block trades pursuant to the rules of a SEF.

D. Treatment of Package Transactions

(14) Should the Commission provide an exception to the prohibition on post-trade name give-up for swaps that are components of package transactions involving an uncleared swap? To what extent are such package transactions anonymously traded, given the involvement of an uncleared swap at the outset?

As proposed, the prohibition on name give-up only applies to swaps that are executed anonymously and intended to be cleared. Therefore, for a package transaction containing both a cleared swap and an uncleared swap, name give-up could still be used for the uncleared swap leg. This is consistent with current market practice, where the cleared swap and uncleared swap will be subject to different post-trade operational workflows, and obviates the need for the Commission to provide any type of special exception for package transactions.

(15) If the Commission provides an exception with respect to package transactions, should it include an exception for package transactions involving any non-swap instrument, including Treasury securities? Should such an exception apply to the swap components if such non-swap instrument components are also executed anonymously and intended to be cleared?

As detailed in our response to Question 14 above, no special exception for package transactions is required. As proposed, the prohibition on name give-up only applies to swaps that are executed anonymously and intended to be cleared. Therefore, for a package transaction containing only swaps that are intended to be cleared, the prohibition on name give-up would apply to each leg of the package. However, if a package transaction contains both a cleared swap and a non-swap (such as a US Treasury), name give-up could still be used for the non-swap leg. This is consistent with current market practice, where the cleared swap and non-swap will be subject to different post-trade operational workflows.

We note that, where the non-swap leg is executed anonymously and intended to be cleared (such as a US Treasury cleared at the Fixed Income Clearing Corporation), there is no practical reason why the SEF could not maintain post-trade anonymity for the non-swap leg of the package as well. In fact, several US Treasury trading venues already offer anonymous trading without name give-up.

E. Commission Action is Necessary

(16) Excluding swaps that are components of certain package transactions, what, if any, operational, credit and settlement, legal, or similar issues exist that would still require post-trade name give-up for a swap that is intended to be cleared?

None. The practice of name give-up has no legitimate operational, credit or legal justification for anonymously executed cleared swaps. Consider the following steps below:

- Trading counterparties are onboarded to the SEF, with the SEF responsible for KYC/AML (just like a DCM trading futures);
- Trading counterparties are matched anonymously on the SEF;
- The trade is quickly submitted to, and accepted or rejected by, a DCO pursuant to the Commission's STP rules (and the main middleware provider has already made available to SEFs a workflow that does not employ name give-up[21]);
- In the event of an operational or clerical error, the SEF can facilitate the correction of the error without disclosing a counterparty's identity;[22]
- In the event the transaction is rejected from clearing, it is considered void *ab initio* pursuant to the Commission's STP rules (meaning the counterparties have no operational, credit or legal exposure to each other);
- In the event the transaction is accepted for clearing, both face the DCO (meaning the counterparties have no operational, credit or legal exposure to each other).

At no stage is name give-up justified for anonymously executed cleared swaps.

(17) Are there any alternatives to the proposed prohibition on name give-up that would better achieve the regulatory objectives stated above? For example, could these objectives be better accomplished through additional guidance or enforcement activity to address applications of post-trade name give-up that are inconsistent with the impartial access requirement?

No, only a prohibition will achieve the regulatory objectives of the Proposal for the following reasons:

- As detailed in our response to Question 16 above, there is no legitimate operational, credit or legal justification for continuing to permit name give-up for anonymously executed cleared swaps. A practice that, with no legitimate operational or legal justification, effectively limits access to the IDB SEFs to a handful of swap dealers is clearly discriminatory and inconsistent with the statutory mandate for SEFs to provide market participants with impartial access.
- As detailed in our response to Question 1 above, buy-side institutional investors are unable to participate in pre-trade anonymous trading protocols unless name give-up is removed due to the associated information leakage concerns. Otherwise, a buy-side firm would have to be prepared to share its trading activity in a random and uncontrolled fashion with every other participant on the trading venue, including not just dealers but also other buy-side firms, since it could be matched with anyone when using a pre-trade anonymous trading protocol.

Only a regulatory prohibition addresses these issues and provides buy-side firms with meaningful access to the pre-trade anonymous trading protocols that are available on IDB SEFs.

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[21] *See* letter from IHS Markit at https://comments.cftc.gov/PublicComments/CommentList.aspx?id=3066.

[22] *See* CFTC Letter 17-27 (May 30, 2017).

It is important to note that access to a fully anonymous order book that has little to no liquidity from swap dealers[23] is not a substitute for access to the deep liquidity available on IDB SEFs, where swap dealers act as both liquidity providers and liquidity takers.

In addition, we note that by prohibiting name give-up for anonymously executed cleared swaps, the Commission is not mandating anonymous or "all-to-all" trading. Instead, the Proposal will ensure that buy-side firms have the ability to access SEFs that offer anonymous trading protocols, and therefore can make an informed decision regarding the type of trading protocol to use in order to efficiently execute a cleared swap.

As with most rulemakings, the Commission must do its best to predict the future – data cannot be gathered regarding a swaps market without name give-up before the practice of name give-up is actually prohibited. Therefore, the Commission correctly relies on (a) numerous comment letters (including from a large and diverse group of buy-side firms, liquidity providers currently active in the market (e.g. Citadel Securities and UBS), and potential new liquidity providers), (b) market participant feedback at a Market Risk Advisory Committee meeting, and (c) experience in other asset classes, including empirical event studies. In aggregate, this provides the Commission with a solid basis to assess the potential costs and benefits of the prohibition and to move forward with a final rule.

F. Additional Steps to Prevent Evasion

As noted above, we are concerned that voice brokers, operating either within a SEF or through an affiliated introducing broker, may seek to evade any prohibition on name give-up by pre-negotiating or pre-arranging trades anonymously and then disclosing counterparty identities prior to formally executing the transaction on the SEF. We provided suggested language below to address this concern, consistent with the overarching principle that if a cleared swap is traded anonymously (including through pre-negotiation or pre-arrangement), it should stay anonymous. We note that the prohibition on name give-up will still not apply to disclosed trading protocols, or pre-arrangement or pre-negotiation that occurs on a disclosed basis (such as a bilateral conversation regarding a block transaction).

Suggested language:

(d) Counterparty anonymity. (1) Except as otherwise required under the Act or the Commission's regulations, a swap execution facility shall not directly or indirectly, including through its employees, its affiliates, or a third-party service provider, disclose the identity of a counterparty to a swap that is executed anonymously and intended to be cleared.

[23] For example, compare (a) the number of swap dealers streaming prices on the Bloomberg SEF fully anonymous order book with (b) the number of swap dealers streaming prices on the Bloomberg SEF disclosed request-for-steam trading protocol or the number of swap dealers streaming prices on IDB SEF order books with name give-up (such as Tradition SEF or BGC Derivative Markets).

(2) A swap execution facility shall establish and enforce rules that prohibit any person from directly or indirectly, including through a third-party service provider, disclosing the identity of a counterparty to a swap that is executed anonymously and intended to be cleared.

(3) The provisions in paragraphs (d)(1) and (d)(2) of this section shall not apply with respect to uncleared swaps, or with respect to swaps that are not executed anonymously. For purposes of paragraphs (d)(1) and (d)(2) of this section, "executed anonymously" shall include a swap that is pre-negotiated or pre-arranged anonymously (including by a participant of the swap execution facility). ~~any method of execution whereby the identity of a counterparty is disclosed prior to execution of the swap.~~

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We thank the Commission for considering our comments on the Proposal. Please feel free to call the undersigned at (646) 403-8200 with any questions regarding these comments.

Respectfully,

/s/ Stephen John Berger

Managing Director

Global Head of Government & Regulatory Policy