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January 21, 2022

Mr. Christopher Kirkpatrick
Secretary
Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st Street, N.W.
Washington, D.C. 20581

Re: Swap Clearing Requirement To Account for the Transition From LIBOR and Other IBORs to Alternative Reference Rates; Request for Information and Comment – RIN 3038-AF18, 86 Fed. Reg. 66476 (Nov. 23, 2021)

Dear Mr. Kirkpatrick:

Tradeweb Markets LLC ("***Tradeweb***") welcomes the opportunity to provide input on the above request for comment by the Commodity Futures Trading Commission (the "***CFTC***") to discuss potential changes to its swap clearing requirements in response to the transition from interbank offered rates ("***IBORs***"). Tradeweb has operated two registered SEFs since 2013 serving the global marketplace offering various methods of execution and currencies among a variety of market participants. Accordingly, Tradeweb is uniquely positioned to provide valuable perspective on the regulation of the swap marketplace.

The swap clearing and execution requirements under Title VII of the Dodd-Frank Wall Street Reform and Consumer Protection Act have increased investor protections, improved market liquidity, and reduced systemic risk, especially in the dealer-to-customer market. It will be critical for the CFTC to maintain these market improvements as new swap transactions increasingly utilize alternative risk-free reference rates ("***RFRs***"). The implementation of updated swap clearing requirements with respect to RFRs will provide the growing RFR swap market with similar investor protections and centralized liquidity, as well as ensuring the early development of centrally-cleared markets. In addition, updated regulations will promote a more orderly shift away from IBORs and reduce the risk of global regulatory arbitrage as other regulators enact similar requirements.[1]

As market participants move away from IBOR-linked transactions to RFRs, we expect to see increases in notional exposure, liquidity, and pricing data. In particular, Tradeweb has already seen a marked increase in swap liquidity referencing RFRs, specifically with respect to the Secured Overnight Financing Rate ("***SOFR***"). Between January and December 2021, the volume of contracts referencing SOFR on Tradeweb increased from less than 5% to more than

[1] For example, the European Securities and Markets Authority plans to enact a clearing requirement on SOFR-linked swaps (7 days to 3 years) starting in 2022. See EUR. SECS. & MKTS. AUTH., FINAL REPORT: ON DRAFT RTS ON THE CLEARING AND DERIVATIVE TRADING OBLIGATIONS (2021), available at https://www.esma.europa.eu/sites/default/files/library/esma70-156-4953_final_report_on_the_co_and_dto_re_benchmark_transition.pdf.

30%. The first week of 2022 after the cessation of certain tenors of LIBOR, the volume of SOFR contracts on Tradeweb rose to 50%, and when disregarding risk-offsetting LIBOR transactions, the volume of new risk SOFR contracts is approximately 70%.

In determining which RFR contracts should be subject to mandatory clearing, we expect the CFTC to take into account the relevant statutory criteria under the CEA (the "***Mandatory Clearing Criteria***"), including "[t]he existence of significant outstanding notional exposures, trading liquidity, and adequate pricing data." [2] However, because existing liquidity tied to IBORs has been, and will continue to be, replaced by the RFRs chosen by the relevant IBOR replacement committees, this analysis should be little more than a formality. In effect, the CFTC is not expanding the existing clearing determinations, rather it will be applying the existing IBOR determinations to contracts based on the new RFRs. In our view, as noted above, a broad range of SOFR-linked swap transactions already meet the Mandatory Clearing Criteria as they exhibit the same robust notional exposure, liquidity, and pricing data that existed in the IBOR context. We also believe that other RFR-linked transactions similarly already meet the Mandatory Clearing Criteria (*e.g.*, €STR for EUR, SONIA for GBP, TONA for JPY, and SARON for CHF). Accordingly, we would encourage the CFTC to consider whether to expedite its review of replacement RFRs for designation for mandatory clearing, perhaps through adoption of an interim final rulemaking, rather than a full proposal. Expediting review of such RFRs would be in keeping with the intent and spirit of the process for discontinuing and replacing IBORs with the new RFRs, and as noted above, based on the dramatic shift in liquidity Tradeweb has experienced, a lengthy process for review and designation of such RFRs for mandatory clearing is unnecessary.

Tradeweb believes that RFR-linked contracts that satisfy the Mandatory Clearing Criteria are also likely to meet the MAT criteria and would be subject to a MAT determination which would include consideration of: (1) Whether there are ready and willing buyers and sellers; (2) The frequency and size of transactions; (3) The trading volume; (4) The number and types of market products; (5) The bid/ask spread; and (6) The usual number of resting firm or indicative bids and offers.[3] As noted above, Tradeweb has seen a significant increase in SOFR-linked swap transactions, and we would similarly expect any additional RFRs exhibiting sufficient liquidity to require clearing under the Mandatory Clearing Criteria would also be MAT on our SEFs.

As the CFTC considers next steps for updating its swap clearing, execution, and other marketplace regulations, Tradeweb welcomes the opportunity to discuss these issues further with the CFTC and its staff. If you have any questions concerning our comments, please feel free to contact the undersigned.

Sincerely,

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Elisabeth Kirby
Head of Market Structure

[2] See 7 U.S.C. § 2(h)(2)(D)(ii).
[3] See 17 C.F.R. § 37.10(b) (2021); 17 C.F.R. § 38.12(b) (2021).