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April 22, 2024

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

RE:(RIN 3038-AF29) Requirements for Designated Contract Markets and Swap Execution Facilities Regarding Governance and the Mitigation of Conflicts of Interest

Dear Mr. Kirkpatrick,

The London Stock Exchange Group ("LSEG") welcomes the opportunity to respond to the Commodity Futures Trading Commission ("CFTC" or "Commission") proposed requirements for Designated Contract Markets and Swap Execution Facilities ("SEF") regarding governance and mitigation of conflicts of interest.

The London Stock Exchange Group (LSEG) is a global financial data and market infrastructure provider, headquartered in London, employing over 25,000 people and with significant operations in Europe, North America, and Asia. Its diversified global business focuses on capital formation, intellectual property, risk and balance sheet management. LSEG operates an open access model, offering choice and partnership to customers across its businesses.

LSEG operates a number of regulated trading venues for foreign exchange instruments, including a CFTC registered SEF which lists for trading non-deliverable forwards ("NDFs") and FX options ("FXOs") on the SEF platform. LSEG also operates trading venues in the UK, EU, and Singapore, as well as local Electronic Trading Platforms (ETPs) in Indonesia, India, and Malaysia.

LSEG supports the Commission's work to improve the governance of SEFs and mitigate the risks of conflicts of interests. LSEG recognises and is cognisant of the importance of a SEF's role as a self-regulatory organization ("SRO"), and therefore, the high burden of responsibility that falls on SEFs to maintain fair and well supervised markets.

However, LSEG believes that the requirement for public directors to comprise at least 35% of the Board of a SEF could be disproportionate to the size, nature or scale of the SEF's operations and marketplace. LSEG notes that proportionality tests are used in other jurisdictions that maintain robust regulatory



frameworks for their trading venues and investment firms¹ and believes that the Commission should consider adopting a similar approach.

LSEG also believes that mandating the establishment of a Regulatory Oversight Committee (ROC), to be comprised exclusively of public directors, is disproportionate to the size, scale, and complexity of some SEFs' marketplaces and operations.

It is standard practice in other jurisdictions for Senior Management to be expected to balance the commercial interests and regulatory obligations of a regulated entity and to be held accountable for their decision making in this regard by the Board and relevant Regulators. In addition, regulated entities, including SEFs under Core Principle 12, are expected to implement policies and procedures for the effective identification, logging, mitigation, and management of conflicts of interests. LSEG believes that this approach, without the need to establish a ROC, is proportionate to the size, scale and complexity of some SEFs and should result in better decision-making by Senior Management. The concept of a ROC (or equivalent structure) does not exist in any of LSEG's other primary operating markets.

LSEG strongly encourages the Commission to take a proportionate approach to the application of the requirements for a ROC, and the application of a minimum requirement for public directors. Failure to do so could create divergences with international standards and may result in increased concentration and less competition among SEFs which could ultimately be to the detriment of end users.

Sincerely,

Stephen Best
President Refinitiv US SEF LLC

¹ For example, SYSC 4.3.A.3 of the UK's Financial Conduct Authority ("FCA") Handbook, and Article 9(1) and 9(4) of Directive 2014/65/EU ("MiFID") lay down requirements for the Management Body of a Firm in the UK and the EU respectively. The "Guidelines on the assessment of suitability of members of the management body and key function holders under Directive 2013/36/EU and Directive 2014/65/EU" (the "Guidelines") qualify how Firms authorised by the FCA or an EU Competent Authority should apply the requirements in SYSC 4.3.A.3 and Articles 9(1) and 9(4) of MiFID. Paragraph 88(b) of the Guidelines make clear that competent authorities, when authorising a Firm or during its ongoing supervision of the Firm, may waive the requirement for independent directors in certain circumstances, including referencing Article 32(4)(a) of Directive 2019/2034/EU where an investment firm's on and off-balance sheet assets (on a non-consolidated basis) is on average equal to or less than EUR 100 million over the four-year period immediately preceding the given financial year.