May 15, 2012

David A. Stawick
Secretary
Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st Street, NW
Washington, DC 20581

Re: RIN 3038-AD08:
Procedures to Establish Appropriate Minimum Block Sizes for Large Notional Off-Facility Swaps and Block Trades

Dear Mr. Stawick:

I am a part of the Rates Group at CRT Capital Group LLC, a registered broker-dealer that currently makes markets in US Government and Agency Bonds. We hope to expand our market making capabilities to include USD Interest Rate Swaps. Before joining CRT, I ran the USD Swap trading desk for Goldman Sachs, and prior to that I held the same role at RBS Greenwich Capital. I am looking forward to the final implementation of Clearing and Swap Execution rules outlined in the Dodd Frank legislation.

I support the CFTC's current proposed rule that 67% of trades be included for setting block trade thresholds.
The setting of block trade thresholds is an important determinant in balancing the need between transparency and liquidity. Block thresholds that are set too high could impede liquidity, while block thresholds set too low will serve to obscure price discovery and equal access.

In setting block thresholds, the CFTC must recognize the specifics of each asset class and apply appropriate measures that satisfy Congressional intent while offering flexibility to adapt as market participation evolves under new regulation and new modes of execution. We believe the CFTC has achieved a proper balance in their current proposed rule and support the finalization of the rule as written as it pertains to both Interest Rate Swaps and Credit Default Swap Index trades.

Congressional intent as it pertains to block thresholds requires that the rules cover the vast majority of swaps and that reporting data be meaningful. We agree with the CFTC's position that a threshold set at 67% or more would capture a vast majority of trades, while a threshold of 50% would not. Block thresholds that are set too low (e.g. 50% of trades) would push too large a percentage of trades in to the category that would result in reporting delays and shielded market data, leaving the reported data of diminished value to the broader market.

The CFTC's current proposed rules would set the opening block threshold levels comfortably inside where the observed liquidity of the current interest rate and credit default swap markets stand. In interest rate swaps the dollar value change per 1 basis point movement in rates (DV01) is typically seen as the primary measure of risk. In comparing the appropriate minimum block sizes for interest rate swaps in DV01 terms, the 67% threshold is well within observed liquidity. Applying the 50% measure moves the block threshold to observed liquidity levels that are available from a single market maker.

I support the application of additional measures of market liquidity as the data becomes publicly available. Specifically, this should include measures that look beyond the volume executed and assess available liquidity by including both the depth and breadth of the available orders in the specific market. No single measure of market activity could possibly define the total amount of potential liquidity available in an asset class. As more trading takes place on exchanges and SEFs and as more data is reported to SDRs, the ability to calibrate block threshold levels will improve. The proposal to measure beyond traded volume in any swap contract or swap category by observing both market depth and market breadth is a good step toward defining available liquidity in specified markets.

I support the proposal to include multiple levels of analysis for each asset class in order for the proper balance of liquidity and transparency to be achieved. These measures can be refined over time as more market data becomes available.
My organization supports rules that make markets more transparent, liquid and safer overall. The CFTC block threshold rules should be approved as written. This rule satisfies Congressional intent, promotes transparency, does not disadvantage liquidity providers and can be bolstered further using additional measures of liquidity as that data become publicly available.

Sincerely,

Bart Sokol
Partner, CRT Capital Group LLC