



May 21, 2020

Via Electronic Submission: <https://comments.cftc.gov>

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

Re: Real-Time Public Reporting Requirements (RIN Number 3038-AE60)

Dear Mr. Kirkpatrick:

Managed Funds Association¹ (“**MFA**”) welcomes the opportunity to comment on the Commodity Futures Trading Commission’s (the “**Commission**”) notice of proposed rulemaking on “Real-Time Public Reporting Requirements” (“**Proposed Rule**”).² MFA strongly supports robust pre- and post-trade transparency in the swaps market because it improves price discovery and increases market liquidity. Therefore, we have significant concerns with the proposed 48-hour delay for public dissemination of swap transaction and pricing data for block trades (“**STAPD**”),³ which will harm post-trade transparency, pricing, and liquidity. We urge the Commission to reconsider the proposed delay, and instead, retain the current 15-minute delay in Commission rules⁴ for public dissemination of STAPD.⁵

¹ MFA represents the global alternative investment industry and its investors by advocating for sound industry practices and public policies that foster efficient, transparent, and fair capital markets. MFA, based in Washington, DC, is an advocacy, education, and communications organization established to enable hedge fund and managed futures firms in the alternative investment industry to participate in public policy discourse, share best practices and learn from peers, and communicate the industry’s contributions to the global economy. MFA members help pension plans, university endowments, charitable organizations, qualified individuals and other institutional investors to diversify their investments, manage risk, and generate attractive returns over time. MFA has cultivated a global membership and actively engages with regulators and policy makers in Asia, Europe, North and South America, and many other regions where MFA members are market participants.

² 85 Fed. Reg. 21516 (April 17, 2020), available at: <https://www.govinfo.gov/content/pkg/FR-2020-04-17/pdf/2020-04405.pdf> (“**Proposed Rule Release**”).

³ *See id.* at 21562, proposed §43.5(c).

⁴ 17 CFR §43.5(d)(2), available at: <https://www.law.cornell.edu/cfr/text/17/43.5>.

⁵ We note that MFA and other market participants expressed similar support for post-trade transparency of block trade data in response to FINRA’s request for comment on a “Proposed Pilot Program to Study Recommended Changes to Corporate Bond Block Trade Dissemination”, which proposed 48-hours for the public reporting of corporate bond block trades. *See* FINRA Regulatory Notice 19-12, April 12, 2019, available at: http://www.finra.org/sites/default/files/notice_doc_file_ref/Regulatory-Notice-19-12.pdf (“**Regulatory Notice 19-12**”). *See* MFA letter to FINRA on Regulatory Notice 19-12, dated June 11, 2019, available at: <https://www.managedfunds.org/letters/mfa-letter-to-finra-on-proposed-block-trade-dissemination-pilot-program/>.

I. Reconsider 48-Hour Delay for Public Dissemination of STAPD

MFA has significant concerns with the proposed 48-hour delay for public dissemination of STAPD for block trades.⁶ We believe that such a lengthy delay in post-trade transparency will harm market pricing and liquidity and negatively impact buy-side market participants.

Immediate dissemination of post-trade data has been beneficial for the swaps market and buy-side market participants by providing greater price transparency, decreasing transaction costs, leveling the playing field, and facilitating assessments of execution quality. With access to comprehensive real-time, market-wide, trading data, market participants can use that information to ensure that liquidity providers are providing them with a fair price, thereby increasing competition and market efficiency. Post-trade transparency has also been beneficial to the swaps market by transitioning trading volume to more competitive and transparent electronic trading platforms. In particular, post-trade transparency has increased, and we believe will continue to increase over time, the volume of block trades executed on swap execution facilities.⁷

As a general matter, markets tend to be more resilient when information asymmetries do not exist. Moreover, during stressed market conditions (like the current COVID-19 pandemic), having a robust post-trade transparency framework is critical. Otherwise, market participants will reduce their volume of trading due to fears that other market participants have an informational advantage (*i.e.*, more accurate and current information) regarding current pricing and trading activity. Recent market data shows just how effective the Commission's current post-trade transparency framework has been in supporting liquidity and risk transfer, with market participants transacting more block trades in March 2020 than any prior month.⁸

As a result, MFA is concerned that 48 hours is too long of a delay for public dissemination of STAPD because it would result in a material deterioration of post-trade transparency. We believe that the proposed delay would have far-reaching consequences, such as the widening of bid/ask spreads as market participants become less able to measure execution quality accurately. In addition, the associated information asymmetries created by the proposed 48-hour delay would inject greater uncertainty and volatility into swaps market pricing, particularly during volatile market conditions.

In light of the foregoing, MFA strongly urges the Commission to retain the 15-minute delay in §43.5(d)(2) of the current Commission rules for the public dissemination of block trade STAPD.

See other public comments on Regulatory Notice 19-12, available at: <https://www.finra.org/rules-guidance/notices/19-12#comments>.

⁶ See Proposed Rule Release at 21562, proposed §43.5(c).

⁷ See Chris Barnes, *Block Trading*, Clarius Financial Technology, February 10, 2020, available at: https://www.clarusft.com/block-trading/?utm_source=rss&utm_medium=rss&utm_campaign=block-trading.

⁸ See Chris Barnes, *CFTC Block Trading Consultation May 2020*, Clarius Financial Technology, May 12, 2020, available at: <https://www.clarusft.com/cftc-block-trading-consultation-may-2020/>.

II. Further Improving Post-Trade Transparency

MFA supports the public dissemination of the full, uncapped notional amount of block trades, provided that, the Commission provides a sufficient delay before such public dissemination to ensure that it does not “allow the public to discern the identity of the parties.”⁹

In the Proposed Rule Release, the Commission proposes various changes to the notional threshold at which the public reporting of block trades is capped (*i.e.*, block trade cap sizes). While the Proposed Rule would not require the reporting of the uncapped notional amount of block trades, in the Proposed Rule Release, the Commission requests comment on whether the Proposed Rule should provide for delayed reporting of this information.¹⁰

As mentioned, MFA supports the prompt public dissemination of STAPD. However, we also agree with the Commission that it is important to protect the anonymity of swap counterparties.¹¹ Public dissemination of the uncapped notional amount too quickly could expose a swap counterparty’s trading activity to their competitors and other market participants. Therefore, to balance the goals of robust post-trade price transparency and the protection of a swap counterparty’s identity, we support public dissemination of the full, uncapped notional amount of block trades but only on a delayed basis.

In response to the Commission’s inquiry about whether six months is the appropriate delay for the uncapped notional amount, we note that a six-month delay would harmonize the Commission’s rules with the similar reporting in the fixed income market on FINRA’s Trade Reporting and Compliance Engine.¹² However, a somewhat shorter delay may also be appropriate.

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⁹ Proposed Rule Release at 21552.

¹⁰ *See id.* at 21532, question 16 asking “[s]hould the Commission require the removal of any caps that were applied pursuant to § 43.4(h) after six months and thereby reveal the actual notional amount of any capped amounts once six months has passed? Would six months be long enough to mitigate any anonymity concerns?”

¹¹ *See id.* at 21531.

¹² *See* Notice 19-12, noting that “[t]he full, uncapped size of trades above the caps is later published as part of an historical dataset six months after the calendar quarter in which they are reported.”

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MFA thanks the Commission for issuance of, and consideration of our views on, the Proposed Rule. We welcome the opportunity to discuss our views with you in greater detail. Please do not hesitate to contact the undersigned at (202) 730-2600 with any questions the Commission or its staff might have regarding this letter.

Respectfully submitted,

/s/ Carlotta D. King

Carlotta D. King
Associate General Counsel
Managed Funds Association

cc: The Hon. Heath P. Tarbert, Chairman
The Hon. Brian D. Quintenz, Commissioner
The Hon. Rostin Behnam, Commissioner
The Hon. Dawn DeBerry Stump, Commissioner
The Hon. Dan M. Berkovitz, Commissioner