CITADEL

May 22, 2020

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

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

Dear Mr. Kirkpatrick:

Citadel appreciates the opportunity to provide comments to the Commodity Futures Trading Commission (the "Commission") on the proposal to amend real-time public reporting requirements for certain transactions, including block trades (the "Proposal").[1]

The Proposal would update block trade thresholds from levels established in 2013 to reflect current market trading activity, and extend the public reporting deferral for blocks from 15 minutes (for most interest rate and credit derivatives) to 48 hours. While we support the Commission updating the block trade thresholds, the proposed extension of the deferral period would dramatically reduce transparency for market participants. The Commission has calibrated block trade thresholds under the Proposal such that approximately 33% of trading activity (by notional value) qualifies as a block trade. Therefore, as a result of the Proposal, approximately one-third of the swaps market will be rendered entirely opaque to market participants for 48 hours, in stark contrast to the Commission's current post-trade transparency framework, which requires most block trades in interest rate and credit derivatives to be publicly reported within 15 minutes. As detailed below, the Commission has failed to provide a compelling policy justification for departing so significantly from the current post-trade transparency framework and has not conducted an adequate cost-benefit analysis as required by the Commodity Exchange Act ("CEA").

In addition to the deferral treatment of block trades, we provide feedback on several other aspects of the Proposal, including:

- *Improving the Methodology for Calculating Block Trade Thresholds*: While we support updating the block trade thresholds, we recommend that the Commission reconsider the proposal to significantly expand the number of categories for which unique block trade thresholds are established.

- *Avoiding Overly Broad Deferrals and Exemptions from Public Reporting*: Instead of reducing the amount of information publicly reported in real-time, we recommend that the Commission enhance the reported data by implementing new flags to specifically identify

[1] 85 Fed. Reg. 21516 (Apr. 17, 2020), available at: https://www.cftc.gov/sites/default/files/2020/04/2020-04405a.pdf.

certain types of swaps, such as post-priced swaps and swaps related to prime brokerage arrangements.

- *Improving the Utility of the Publicly Reported Data*: We recommend several ways to improve the utility of the publicly reported swaps data, including enhancing the data relating to packages, and clearing and execution venues.

- *Ensuring Publicly Reported Data is Freely Available to Market Participants:* We support the Commission clearly maintaining the minimum standards that swap data repositories ("SDRs") must comply with when publicly disseminating swaps data, including that it be freely available in machine-readable format and published on a non-discriminatory basis. We recommend that SDRs not be permitted to charge for regulatory-required post-trade transparency data, including historical data.

I. Extending the Block Trade Deferral to 48 Hours Fails a Cost-Benefit Analysis

The proposed 48 hour public reporting deferral for block trades represents a dramatic departure from the Commission's current post-trade transparency framework, which has been in operation since 2013. Under current rules, the deferral period for block trades is calibrated based on several criteria, including the relevant asset class and whether the trade is (a) executed on a regulated venue, (b) executed with a registered swap dealer ("SD") or major swap participant ("MSP"), and (c) subject to mandatory clearing.[2] These criteria enable the Commission to establish tailored deferral periods based on the underlying liquidity characteristics of a particular block trade. For example, while the vast majority of block trades in the interest rate and credit derivative asset classes are reported with a 15 minute deferral (taking into account that many of these instruments are standardized, liquid, and subject to mandatory clearing and on-venue trading requirements), a longer 2 hour deferral is granted to block trades in the commodity asset class. Notably, block trades that are viewed as the least liquid (i.e. executed bilaterally between two parties that are not

[2] The Commission's current deferral periods for block trades are as follows (see §43.5):

Criteria	**Deferral Period**
Block trades executed pursuant to the rules of a SEF or DCM	15 minutes
Off-facility block trades subject to the mandatory clearing requirement where at least one party is a SD/MSP	15 minutes
Off-facility block trades subject to the mandatory clearing requirement where neither party is a SD/MSP	1 hour
Off-facility block trades in the credit, interest rate, FX, or equity asset classes not subject to mandatory clearing and where at least one party is a SD/MSP	30 minutes
Off-facility block trades in the other commodity asset class not subject to mandatory clearing and where at least one party is a SD/MSP	2 hours
Off-facility block trades not subject to mandatory clearing and where neither party is a SD/MSP	24 hours

SDs or MSPs in an instrument that is not subject to mandatory clearing) are currently only granted a 24 hour deferral.

The Proposal completely discards the current framework in favor of a blanket 48 hour deferral for all block trades, with minimal supporting rationale for doing so. For example, the only rationale provided for moving away from calibrating deferral periods based on underlying liquidity characteristics is that "[t]he Commission believes that setting dissimilar (i.e., relatively shorter and longer) time delays for different swap transactions may inappropriately disadvantage hedging the risk of swaps in certain categories compared to hedging the risk of others."[3] The proposed 48 hour deferral stands in remarkably stark contrast to the maximum 5 minute deferral for block trades in U.S. Treasury futures, a primary hedging tool for the USD interest rate swap market.[4]

Similarly, the only rationale provided for choosing 48 hours as the appropriate deferral period is that it represents "a conservative measure to account for potential situations when a market participant requires additional time to place a hedge position without significant unfavorable price movement."[5] The Proposal provides no data or analysis to support these assertions, such as (i) evidence showing that the current framework disadvantages block trades in certain asset classes, (ii) evidence that the current framework is impeding the hedging of block trades, or (iii) data supporting the choice of 48 hours as an appropriate deferral period for all block trades, even though it is double the deferral period the Commission previously considered appropriate for the least liquid block trades and increases the standard deferral period for most interest rate and credit derivative block trades *by over 190 times*.

The Proposal's lack of supporting data or analysis for the policy decisions therein render the accompanying cost-benefit analysis clearly insufficient under CEA Section 15(a). The cost-benefit analysis disregards, among others, (i) academic research, (ii) publicly available market data, (iii) established standards in other jurisdictions, and (iv) other data available to the Commission as a result of its market oversight responsibilities. In addition, the cost-benefit analysis fails to consider market participant feedback in response to a very similar FINRA proposal last year to delay the public reporting of corporate bond block trades for 48 hours through a pilot program.[6] This feedback was overwhelmingly negative,[7] identifying many of the same costs that are detailed below and reportedly prompting FINRA to shelve the proposal.[8]

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[3] Proposal at 21534, FN 143.

[4] *See* https://www.cmegroup.com/clearing/trading-practices/block-trades.html#cbot. During regular U.S. trading hours, the "reporting window" for block trades in Treasury Futures (the 2-Year, 5-Year, 10-Year, etc.) is 5 minutes.

[5] Proposal at 21534.

[6] FINRA Regulatory Notice 19-12 (April 12, 2019), available at: http://www.finra.org/industry/notices/19-12.

[7] *See* https://www.finra.org/rules-guidance/notices/19-12#comments.

[8] *See* "Delayed Disclosure of Biggest Corporate Bond Trades Stalls," Bloomberg (Jan. 22, 2020), available at: https://www.bloomberg.com/news/articles/2020-01-22/a-48-hour-delay-for-bond-trades-stalls-after-wall-street-balks?sref=BNAbdgOy.

A. The Asserted Benefits of the Proposal Are Illusory

The Proposal asserts that reducing post-trade transparency by extending the public reporting deferral for block trades to 48 hours may increase the number of block trades executed,[9] reduce swap dealer hedging costs,[10] and lower overall transaction costs for market participants.[11] No supporting data or analysis is provided to substantiate any of these assertions, and they contradict publicly available market data and academic research.

First, publicly available market data does not evidence challenging liquidity conditions for block trades. To the contrary, data shows that, over time, block trades have accounted for a remarkably consistent portion of overall market trading activity, both as a percentage of total transactions and total notional traded.[12] In addition, price dispersion metrics are almost identical for block trades and standard-sized transactions, indicating that liquidity conditions are healthy and that block trades can be hedged without undue price impact.[13] Importantly, block trade liquidity metrics appeared to remain robust even during extremely volatile market conditions in March 2020. In particular, more block trades were executed in March 2020 than any prior month, block trade volumes on SEFs increased significantly, and price dispersion metrics remained in-line with standard-sized transactions.[14]

This data is consistent with the experience of Citadel Securities as a leading liquidity provider in these markets. Customers put Citadel Securities in competition with one or more other swap dealers for the vast majority of block trades that we execute (even though bilateral negotiations are permitted), indicating that liquidity conditions are healthy and highly competitive. This dynamic is also visible in publicly available market data showing a clear trend in favor of executing more block trades on competitive and transparent SEFs.[15] As a result, average bid-offer spreads are extremely competitive, and are often tighter than would be expected when extrapolating the average bid-offer of standard-sized transactions.

It would be irresponsible to discard the current post-trade transparency framework for block trades without demonstrating the existence of a market-wide problem that must be addressed. This would require evaluating liquidity conditions in block trades through various metrics, such as (i) total trading activity, (ii) average bid-offer spreads (compared to standard-sized transactions), (iii) percentage of block trades that are executed competitively (and whether this could result in

[9] Proposal at 21557.

[10] Proposal at 21554.

[11] *Id.*

[12] *See* "Block Trading," Clarus Financial Technology (Feb. 10, 2020), available at: https://www.clarusft.com/block-trading/?utm_source=rss&utm_medium=rss&utm_campaign=block-trading.

[13] "CFTC Block Trading Consultation May 2020," Clarus Financial Technology (May 12, 2020), available at: https://www.clarusft.com/cftc-block-trading-consultation-may-2020/.

[14] *Id.*

[15] *See* "Block Trading," Clarus Financial Technology (Feb. 10, 2020), available at: https://www.clarusft.com/block-trading/?utm_source=rss&utm_medium=rss&utm_campaign=block-trading.

information leakage that affects hedging costs), and (iv) performance during volatile market conditions.

Second, even if the Commission were to find liquidity challenges for certain block trades, there is no evidence to suggest that reducing post-trade transparency would improve liquidity conditions. In contrast, academic research has found that post-trade transparency improves liquidity conditions in fixed income markets, including the swaps market.[16] In particular, academic research has found that post-trade transparency even improves liquidity conditions for block trades, directly contradicting the unsubstantiated assertions in the Proposal. Specifically, an analysis of the institutional 144A corporate bond market found that the introduction of post-trade transparency in 2014 significantly reduced transaction costs for block trades, with the largest reductions observed for larger blocks.[17] In addition, there was no evidence that post-trade transparency reduced block trading volume or otherwise impeded the ability of market participants to execute blocks.[18] In fact, overall trading volume of large blocks increased following the introduction of post-trade transparency.[19] The Proposal ignores all of the academic research cited above and fails to identify any academic research supporting the suggestion that reducing post-trade transparency can be expected to improve liquidity conditions for block trades.

The conclusions reached in the academic research cited above are supported by an independent analysis by staff at the Securities and Exchange Commission ("SEC"). In particular, their study did not find any negative impacts from the Commission's post-trade transparency framework, and concluded that "post-trade transparency does not seem to have a negative effect on liquidity and market activity in the swap market."[20]

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[16] *See, e.g.,* Loon, Y. C., Zhong, Z. K. The impact of central clearing on counterparty risk, liquidity, and trading: Evidence from the credit default swap market. Journal of Financial Economics (2013), available at: https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2176561.; and Loon, Y. C., Zhong, Z. K. Does Dodd-Frank affect OTC transaction costs and liquidity? Evidence from real-time CDS trade reports. Journal of Financial Economics, (2015), available at: http://papers.ssrn.com/sol3/papers.cfm?abstract_id=2443654. *See also* Asquith, P., et al., "The Effects of Mandatory Transparency in Financial Market Design: Evidence from the Corporate Bond Market" (April 2019), available at: https://www.nber.org/papers/w19417; Bessembinder, H., et al., "Market transparency, liquidity externalities, and institutional trading costs in corporate bonds" (2006) Journal of Financial Economics, available at: https://www.researchgate.net/publication/222515781_Market_Transparency_Liquidity_Externalities_and_Institutional_Trading_Costs_in_Corporate_Bonds; Edwards, A. K., et al., "Corporate bond market transaction costs and transparency" (2007) The Journal of Finance, available at: https://papers.ssrn.com/sol3/papers.cfm?abstract_id=593823; and Goldstein, M. A., et al., "Transparency and liquidity: A controlled experiment on corporate bonds" (2007) Review of Financial Studies, available at: https://papers.ssrn.com/sol3/papers.cfm?abstract_id=686324.

[17] Jacobsen, S., et al., "Does trade reporting improve market quality in an institutional market? Evidence from 144A corporate bonds" (2018) at pages 1 and 7, available at: https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3171056.

[18] *Id.* at pages 7 and 21.

[19] *Id.*

[20] Regulation SBSR — Reporting and Dissemination of Security-Based Swap Information, 80 Fed. Reg. 14564 (March 19, 2015) at 14619, available at: https://www.govinfo.gov/content/pkg/FR-2015-03-19/pdf/2015-03124.pdf.

The experience of Citadel Securities as a leading liquidity provider in these markets also supports the conclusions reached in the academic research cited above. The current 15 minute deferral period provides adequate time to hedge a block trade (particularly at a macro level), and we would not expect an extension of the deferral period to result in either increased liquidity or lower transaction costs for block trades. The Commission should carefully evaluate the existing academic research and studies, and closely assess the hedging practices of liquidity providers before entirely discarding the current post-trade transparency framework for block trades. Without this type of data-driven analysis, the asserted benefits of the Proposal are unsubstantiated and illusory.

B. The Proposal Imposes Significant Costs on Market Participants

The Proposal will significantly reduce market transparency, with approximately one-third of the swaps market rendered entirely opaque for 48 hours. This departure from the Commission's current post-trade transparency framework will impose material costs, including:

- **Increasing transaction costs**. Academic research has found that post-trade transparency reduces transaction costs, including for block trades, transferring wealth from dealers to customers, as customer bargaining power increases and liquidity providers can be held more accountable.[21] Reducing transparency can be expected to increase dealer rent taking, particularly for block trades receiving the 48 hour dissemination delay.

- **Creating new information asymmetries**. Counterparties to block trades will have more information than the rest of the market regarding the fair value of a particular instrument, which can serve as an advantage when negotiating additional transactions in both that and similar instruments during the 48 hour period. In addition, the reduction in post-trade transparency may complicate determining accurate end-of-day valuations and impair best execution assessments. These information asymmetries will be particularly problematic during periods of market volatility, as market participants will no longer have comprehensive information regarding current price levels.

- **Reducing harmonization**. The Proposal claims that it increases consistency with EU post-trade transparency requirements.[22] This is incorrect. First, a review of EU swaps data shows that almost all transactions receiving a deferral from post-trade transparency requirements are deferred for four weeks, not two days.[23] The main reason for this longer deferral period is that, unlike the Commission's framework, the current EU regime does not cap the reported notional, raising additional information leakage concerns. Moving to a 48 hour delay with capped notionals does not increase harmonization with an EU regime that provides a 4 week delay and does not cap notionals.

[21] *See supra* notes 15 and 16.

[22] Proposal at 21534.

[23] "What We Need to Do to Fix MiFID II Data," Clarus Financial Technology (Nov. 6, 2019), available at: https://www.clarusft.com/what-we-need-to-do-to-fix-mifid-ii-data/.

Second, EU regulators have publicly acknowledged that the current post-trade transparency framework has not sufficiently improved market transparency. As such, both the European Commission and ESMA currently have open consultations that suggest making significant changes to the post-trade transparency framework and increasing harmonization with the Commission's current rules. In particular, ESMA has proposed adopting the Commission's current approach for block trades, with capped notionals and a 15 minute deferral period.[24] Discarding the Commission's post-trade transparency framework for block trades frustrates ongoing attempts to harmonize global rules and increases the lack of international harmonization.

It is also important to note that the Proposal conflicts with block trade rules adopted for security-based swaps by the SEC. These rules establish an interim approach where, prior to setting block trade thresholds, security-based swap transactions are eligible for a 24 hour deferral, but the reported notional is not capped.[25] In contrast, the Commission proposes to allow a much longer 48 hour deferral, even with the reporting of capped notionals instead of the full trade size.

These comparisons serve to demonstrate just how radical the Commission's Proposal is to allow a 48 hour deferral while reporting capped notionals for block trades. Looking more broadly across the post-trade transparency frameworks implemented in U.S. financial markets, including for equities, options, futures, corporate bonds, municipal bonds, and agency mortgage-backed securities, deferrals are typically measured in minutes and some frameworks even consider a specific deferral for block trades as unnecessary. The Commission has failed to show why the deferrals that it previously considered to be appropriate for the swaps market are not functioning as intended and are no longer fit for purpose.

- **Increasing systemic risk**. Rendering one-third of the swaps market entirely opaque for 48 hours raises systemic risk concerns. First, DCOs rely on publicly available data regarding market-wide trading activity for risk management purposes. Impeding their access to timely information regarding block trade activity that is not cleared at that specific DCO could negatively impact their margin calculations and risk management and default management frameworks. Second, the lack of available information regarding block trades may complicate the ability of market participants to accurately value end-of-day positions, reducing the effectiveness of reforms designed to mitigate systemic risk, such as uncleared margin requirements and portfolio reconciliations.

- **Decreasing competition**. Academic research has found that post-trade transparency generally increases market competition.[26] In addition, market transparency is necessary in

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[24] Consultation Paper on the transparency regime for non-equity instruments and the trading obligation for derivatives (March 10, 2020) at page 58, available at: https://www.esma.europa.eu/sites/default/files/library/esma70-156-2189_cp_review_report_transparency_non-equity_tod.pdf.

[25] *Supra* note 19 at §242.901(j).

[26] *See supra* notes 15 and 16.

order for new liquidity providers to enter the market. In contrast, the Proposal will hinder competition and increase barriers to entry for new entrants.

Contrary to assertions in the Proposal, these costs are not mitigated by the fact that the Commission is also proposing to update the block trade thresholds to reflect current market trading activity, which is likely to result in a fewer number of block trades.[27] First, the Commission is already required pursuant to its existing regulations to update block trade thresholds at least once per year using the 67-percent notional amount calculation,[28] and therefore this element of the Proposal should not be considered a new benefit. Second, whereas trades that are no longer classified as a block will be published a maximum of 15 minutes sooner, trades in most interest rate and credit derivatives that remain classified as a block will now be published at least 2,865 minutes later (an increase of over 190 times). Given that approximately one-third of the swaps market will remain classified as a block trade, the aggregate reduction in transparency under the Proposal greatly outweighs any marginal increase in transparency for trades that are no longer classified as a block as a result of the revised block trade thresholds.

C. The Proposal Did Not Adequately Consider Alternatives

We urge the Commission to refrain from completely overhauling the post-trade transparency framework, which, along with mandatory clearing and centralized execution, has materially improved conditions for market participants.[29] Instead, the Commission at a minimum should preserve the current more tailored approach, where the length of the block trade deferral reflects underlying liquidity characteristics, based on criteria such as (i) the relevant asset class, (ii) whether the trade is cleared, (iii) whether the trade is executed on a regulated venue, and (iv) whether a SD or MSP is party to the transaction.

The Commission should carefully assess block trade liquidity conditions and trading volumes under the current framework before proceeding with any targeted changes for certain types of block trades. A data-driven analysis should clearly show that block trade liquidity is healthy and highly competitive in asset classes that are frequently cleared and transacted on regulated trading venues, such as interest rate and credit derivatives. Given the improvements in liquidity conditions in these asset classes since post-trade transparency was introduced in 2013, we recommend that the Commission consider ways to further increase transparency, such as (i) reducing the current 15 minute deferral for block trades in the standardized and liquid instruments that are subject to mandatory clearing and on-venue trading requirements and (ii) publishing the full, uncapped notional amount of block trades 3 months after execution.

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[27] *See* Proposal at 21554.

[28] §43.6(f) ("(1) Post-initial period. After a registered swap data repository has collected at least one year of reliable data for a particular asset class, the Commission shall establish, by swap categories, the post-initial appropriate minimum block sizes as described in paragraphs (f)(2) through (f)(5) of this section. No less than once each calendar year thereafter, the Commission shall update the post-initial appropriate minimum block sizes.").

[29] *See supra* note 15 and Benos, E., Payne, R., and Vasios, M., Centralized trading, transparency and interest rate swap market liquidity: evidence from the implementation of the Dodd-Frank Act, Bank of England Staff Working Paper, May 2018, available at: https://www.bankofengland.co.uk/-/media/boe/files/working-paper/2018/centralized-trading-transparency-and-interest-rate-swap-market-liquidity-update.

II. Other Topics

A. Improving the Methodology for Calculating Block Trade Thresholds

We support moving from the 50-percent notional amount calculation to the 67-percent notional amount calculation for purposes of setting block trade thresholds. We note that, pursuant to existing regulations, the Commission is already required to update block trade thresholds in this manner at least once per year.[30] Calibrating block trade thresholds such that one-third of trading activity (by notional) is eligible for a public reporting deferral more appropriately balances market transparency and information leakage risks than the current approach, where one-half of trading activity (by notional) is eligible for a public reporting deferral. The 67-percent notional amount calculation also increases harmonization with the EU post-trade transparency framework, where the equivalent post-trade "large-in-scale" threshold is set at the greater of (i) the 90th percentile by trade count and (ii) the 70th percentile by volume, with volume typically being the operative component.[31]

However, we recommend that the Commission reconsider the proposal to significantly expand the number of categories for which unique block trade thresholds are established. For example, by establishing separate categories by currency, the Proposal increases the number of block trade categories in the interest rate derivatives asset class from 27 to 135.[32] Expanding the number of block trade categories in this manner significantly increases operational complexity for market participants and trading venues, as each threshold must be separately implemented, monitored and surveilled. In addition, the proposed increase in granularity will actually reduce overall market transparency, as the Commission set the block trade threshold at zero for certain newly-created categories that have smaller trading volumes. This would mean that all transactions in such categories qualify for block trade treatment and a public reporting deferral, even affecting instruments that are subject to mandatory clearing, such as (a) interest rate swaps denominated in CHF, HKD, NOK, PLN, and SGD, and (b) credit default swaps referencing the CDX.IG index (with a tenor of 3, 7, or 10 years), the iTraxx Europe index (with a tenor of 10 years), and the iTraxx HiVol index (with a tenor of 5 years). In no event should every transaction in instruments sufficiently liquid for mandatory clearing be automatically deemed a block trade and granted a public reporting deferral. These instruments have been subject to real-time public reporting since 2013, and the Commission has not identified any negative impacts from the current framework that would justify taking such a radically different approach.

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[30] §43.6(f) ("(1) Post-initial period. After a registered swap data repository has collected at least one year of reliable data for a particular asset class, the Commission shall establish, by swap categories, the post-initial appropriate minimum block sizes as described in paragraphs (f)(2) through (f)(5) of this section. No less than once each calendar year thereafter, the Commission shall update the post-initial appropriate minimum block sizes.").

[31] *See, e.g.,* Table 5.2 (*Interest rate derivatives – pre-trade and post-trade SSTI and LIS thresholds for sub-classes determined to have a liquid market*) of RTS 2, available at: https://ec.europa.eu/finance/securities/docs/isd/mifid/rts/160714-rts-2-annex_en.pdf.

[32] Proposal at 21535.

B. Avoiding Overly Broad Deferrals and Exemptions from Public Reporting

The Proposal contains new deferrals and exemptions from public reporting for certain types of swaps, including (i) swaps where the price has not been determined at the time of execution ("post-priced swaps") and (ii) "mirror swaps" that result from prime brokerage arrangements.

In both cases, instead of reducing the amount of information publicly reported in real-time, we recommend that the Commission enhance the reported data by implementing a separate flag to specifically identify post-priced swaps and mirror swaps.[33] This will address any concerns about confusing or duplicative data resulting from the reporting of these swaps, while avoiding the risk of inadvertently undermining post-trade transparency through overly broad deferrals and exemptions. We note the Commission was unable to estimate the percentage of overall trading activity that would be eligible for the newly proposed deferrals and exemptions,[34] and raised concerns about the potential for market participants to structure transactions in order to qualify for these exceptions from real-time public reporting.[35] In particular, the proposed deferral for post-priced swaps appears overly broad, as it includes swaps where the key economic terms are fully agreed at the time of execution (for example, where a spread above or below a reference index price is the key economic term, but the reference index price is not published until later in the day).

C. Improving the Utility of the Publicly Reported Data

We support Commission efforts to improve the utility of the publicly reported swaps data and recommend the following enhancements:

- **Packages**. We support the Proposal's inclusion of a "Package Identifier" field (Appendix C Field 40) that would be used to link separately reported components of a single package. In this context, the Commission should clarify that the definition of a package includes transactions that are executed using "list" functionality offered by a SEF, where several transactions are grouped together for pricing and execution purposes.

  One additional piece of information that would be useful to gather and publish is whether a package includes instruments that are not reported to the Commission. This will assist in the identification of specific types of packages, such as spreadovers (including a US Treasury) and invoice spreads (including a future).

- **DCO**. For cleared transactions, the name of the DCO (or exempt DCO) where the transaction is cleared should be publicly disclosed given that this is a key data element that affects transaction pricing.

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[33] We note a separate flag already exists for post-priced swaps (Appendix C Field 59). The price field could initially be left empty and then updated once the price is determined.

[34] *See, e.g.,* Proposal at 21522.

[35] Proposal at 21529.

- **Execution Venue**. For transactions executed on a regulated trading venue, the MIC code of the venue should be publicly disclosed, as this will assist market participants in understanding current market dynamics and locating active liquidity pools.

  Relatedly, transactions that are executed on non-U.S. trading venues that have been deemed equivalent to SEFs by the Commission (e.g. EU MTFs and OTFs) should not be considered "off-facility transactions." The Commission should require these regulated trading venues to report a MIC code as part of transaction reports in order to distinguish this activity from bilateral trading and to allow the Commission and market participants to assess the impact of equivalence assessments.

- **Execution Time**. We support the Proposal's revised definition of "execution," which removes any reference to "affirmation." Pursuant to the Commission's straight-through-processing rules, a separate affirmation step no longer occurs for many swaps executed on a SEF. Even where affirmation still occurs for cleared swaps executed on a SEF, it operates as a post-trade practice that does not affect the execution of the swap, which occurs on the regulated trading venue following a pre-execution credit check.

- **First Coupon Date for IRS**. The Commission should consider enhancing the publicly reported data for interest rate swaps by including the first coupon date. This will enable market participants to identify the coupon convention used for any stub periods (particularly relevant for IRS that are not benchmark tenors).

- **Risk Reduction Services**. We support the Commission adding a flag to identify swaps that result from risk reduction services, given that these may be publicly reported with off-market prices.

D. Ensuring Publicly Reported Data is Freely Available to Market Participants

We support the Commission clearly maintaining the minimum standards that SDRs must comply with when publicly disseminating swaps data, including that it be freely available in machine-readable format and published on a non-discriminatory basis. These standards are critical to ensuring that market participants are able to access and analyze the available data, and ultimately benefit from increased market transparency.

Experience with the implementation of MiFID II in the EU has demonstrated that where such standards are not clearly defined and enforced, market data publishers will be incentivized to reduce the quality of the data published free of charge in order to compel market participants to subscribe to expensive data packages.[36] In this regard, we recommend that SDRs not be permitted to charge for regulatory-required post-trade transparency data, including historical data, in order to avoid any conflicts of interest regarding the quality of the freely available data. In addition, SDRs should be required to make available at least one year of historical data.

[36] *See, e.g.,* MiFID II/MiFIR Review Report No. 1, ESMA (Dec. 5, 2019) at pages 30-33, available at: https://www.esma.europa.eu/sites/default/files/library/mifid_ii_mifir_review_report_no_1_on_prices_for_market_data_and_the_equity_ct.pdf.

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We appreciate the opportunity to provide 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