



January 18, 2011

1177 Avenue of the Americas  
New York, NY 10036

direct: (646) 430-6000  
fax: (646) 430-6250  
e-mail: [help@tradeweb.com](mailto:help@tradeweb.com)  
[www.tradeweb.com](http://www.tradeweb.com)

Ms. Elizabeth M. Murphy  
Secretary to the Commission  
Securities and Exchange Commission  
100 F Street, N.E.  
Washington, DC 20549-1090

***Re: Proposed Regulation SBSR – Reporting of Swap  
Transaction Data – 75 Fed. Reg. 75208 (December 2, 2010)***

Dear Ms. Murphy:

Tradeweb Markets LLC ("***Tradeweb***") welcomes the opportunity to comment on Regulation SBSR proposed by the Securities and Exchange Commission regarding reporting of swap transaction data under Sections 763 and 766 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "***Dodd-Frank Act***").

Tradeweb strongly supports the Commission's goal of establishing comprehensive regulation of security-based swap ("SBS") data and providing transparency for SBSs to regulators and the markets. Tradeweb shares the Commission's view that use of cutting-edge technology and real-time transfer and dissemination of trade information should be integral elements of any reporting protocol.

We believe that proposed Regulation SBSR provides an important and useful framework for meeting the Commission's goal. We also believe that the proposed Regulation can be enhanced to recognize the important role that firms like Tradeweb and other market intermediaries play and will continue to play in swap marketplaces and to take advantage of the technology and expertise offered by those firms. In particular, we believe that an even greater reliance on swap execution facilities and other intermediaries than the Commission has proposed would be an important element in serving the goals of Title VII of the Dodd-Frank Act of increasing the transparency and efficiency of the OTC derivatives markets, and reducing the potential for counterparty and systemic risk.

As the Commission is aware, the Commodity Futures Trading Commission ("***CFTC***") also recently proposed rules under Section 727, 728, and 729 of the Dodd-Frank Act regarding *Swap Data Recordkeeping and Reporting Requirements* 75 Fed. Reg. 76574 (Dec. 8, 2010) (the "CFTC Proposed Reporting Requirements") and has requested comments on those rules by February 7, 2011. Tradeweb intends to provide comments on those rules as well.

## **I. Background on Tradeweb**

Tradeweb is a leading global provider of electronic trading platforms and related data services for the OTC fixed income and derivatives marketplaces. Tradeweb operates three separate electronic trading platforms: (i) a global electronic multi-dealer to institutional customer platform through which institutional investors access market information, request bids and offers, and effect

transactions with, dealers that are active market makers in fixed income securities and derivatives, (ii) an inter-dealer platform, called Dealerweb, for U.S. Government bonds and mortgage securities, and (iii) a platform for retail-sized fixed income securities.<sup>1</sup>

Founded as a multi-dealer online marketplace for U.S. Treasury securities in 1998, Tradeweb has been a pioneer in providing market data, electronic trading and trade processing in OTC marketplaces for over 10 years, and has offered electronic trading in OTC derivatives on its institutional dealer-to-customer platform since 2005. Active in 20 global fixed income, money market and derivatives markets, with an average daily trading volume of \$250 billion, Tradeweb's leading institutional dealer-to-customer platform enables more than 2,000 institutional buy-side clients to access liquidity from more than 40 sell-side liquidity providers by putting the dealers in real-time competition for client business in a fully-disclosed auction process. These buy-side clients comprise the majority of the world's leading asset managers, pension funds, and insurance companies, as well as most of the major central banks.

Since the launch of interest rate swap ("*IRS*") trading in 2005, the notional amount of interest rate derivatives traded on Tradeweb has exceeded \$5 trillion from more than 65,000 trades. Tradeweb has spent the last 5 years building on its derivatives functionality to enhance real-time execution, provide greater price transparency and reduce operational risk. Today, the Tradeweb system provides its institutional clients with the ability to (i) view live, real-time *IRS* (in 6 currencies, including U.S., Euro, Sterling, Yen), and Credit Default Swap Indices (CDX and iTraxx) prices from swap dealers throughout the day; (ii) participate in live, competitive auctions with multiple dealers at the same time, and execute an array of trade types (e.g., outrights, spread trades, or rates switches); and (iii) automate their entire workflow with integration to Tradeweb so that trades can be processed in real-time from Tradeweb to customers' middle and back offices, to third-party affirmation services like Markitwire and DTCC Deriv/SERV, and to all the major derivatives clearing organizations. Indeed, in November 2010, Tradeweb served as the execution facility for the first fully electronic dealer-to-customer interest rate swap trade to be cleared in the U.S. Tradeweb's existing technology maintains a permanent audit trail of the millisecond-by-millisecond details of each trade negotiation and all completed transactions, and allows parties (and will allow SDRs) to receive trade details and access post-trade affirmation and clearing venues.

With such tools and functionality in place, Tradeweb is providing the OTC marketplace with a front-end swap execution facility. Moreover, given that it has the benefit of offering electronic trading solutions to the buy-side and sell-side, Tradeweb believes that it can provide the Commissions with a unique and valuable perspective on the proposed rules.

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<sup>1</sup> Tradeweb operates the dealer-to-customer and odd-lot platforms through its registered broker-dealer, Tradeweb LLC, which is also registered as an alternative trading system ("*ATS*") under Regulation *ATS* promulgated by the SEC under the Securities Exchange Act of 1934. Tradeweb operates its inter-dealer platform through its subsidiary, Hilliard Farber & Co., Inc., which is also a registered broker-dealer and operates Dealerweb as an *ATS*. In Europe, Tradeweb offers its institutional dealer-to-customer platform through Tradeweb Europe Limited, which is authorized and regulated by the UK Financial Services Authority as an investment firm with permission to operate as a Multilateral Trading Facility. In addition, Tradeweb Europe Limited has registered branch offices in Hong Kong, Singapore and Japan and holds an exemption from registration in Australia.

Tradeweb intends to register as soon as possible as both a security-based swap execution facility (“*SB SEF*”) pursuant to Section 3D of the Securities Exchange Act of 1934 and as a swap execution facility (“*SEF*”) pursuant to Section 5h(a) of the Commodity Exchange Act.

**Enhanced role of SB SEFs.** SB SEFs will play a key role in creating the transparent derivatives markets envisioned by the Congress. In addition to trading capabilities, SB SEFs will offer fully automated, straight-through reporting systems, capable of reporting transaction data accurately and virtually instantaneously. They will use sophisticated protocols for reporting information real-time to clearinghouses and counterparties, capable of meeting the most stringent real-time reporting requirements. Accordingly, we would encourage the Commission to take full advantage of the capabilities of SB SEFs by maximizing the number of transactions and the types of information that are required to be reported through SB SEFs. In doing so, the Commission will better serving the goals of the Dodd-Frank Act, and will allow for earlier implementation and adoption of these reporting rules.

*Required reporting by SB SEFs.* We believe that proposed Regulation SBSR should be revised to *mandate* SB SEFS to play a more significant role in the trade reporting process.

Section 901 of the proposed Regulation requires a “reporting party” with respect to an SBS to report specified information regarding that SBS to a registered security-based swap data repository (or, if there is no swap data repository for that transaction, to the Commission). The reporting party will always be one of the counterparties to the SBS. In the proposing release, the Commission states that Section 901(a) “would not prevent a reporting party to a SBS from entering into an agreement with a third party to report the transaction on behalf of the reporting party . . . [but that the reporting party] would retain the obligation to ensure that information is provided to a registered SDR in the manner and form required.” The Commission concludes, “Thus, a reporting party would be liable for a violation of proposed Rule 901 if, for example, a SB SEF acting on the reporting party’s behalf reported a SBS transaction to an SDR late or inaccurately.”

We believe that the Commission should *require* that any SB SEF on which a swap transaction is executed report the transaction real-time to an appropriate SDR. SB SEFs will have the technology to perform that function, and will be in the best position to ensure that the reporting is effected on a real-time basis and accurately.

By contrast, under the proposed Regulation SBSR, even if an SB SEF reports the transaction to an SDR, the reporting party is nonetheless “liable”<sup>2</sup> for any failure by the SB SEF to report the information timely and accurately, even though the reporting party is almost certainly not in a position to control or to confirm real-time the accuracy of the information or to control the timing of the SB SEF’s reporting. We believe that Regulation SBSR should recognize

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<sup>2</sup> The Commission’s use of the term “liable” in this context is particularly problematic for market counterparties, since it might be read to imply liability for money damages, for which there does not otherwise appear to be a basis in the regulations.

more appropriately the relative positions of the parties and the likely reality of the reporting environment – and would be more fair to transaction counterparties – by imposing a direct obligation on the SB SEF to report transaction information in its possession and relieving the reporting party of the obligation to report that information, except to the extent that the reporting party has actual knowledge that the information reported is inaccurate or incomplete, and by relieving the reporting party of any responsibility for the timeliness of the SB SEF's reporting. In doing so, the Commission would be centralizing on the front end the reporting obligations, which will prevent the fragmentation that might arise from having thousands of market participants doing the reporting, and will allow for earlier adoption and implementation of the reporting rules.

The CFTC Requirements impose such a direct obligation on SEFs. Section 45.3 of proposed Part 45 (Swap Data Recordkeeping and Reporting Requirements) requires any SEF or DCM on which a swap is executed to report “all primary economic terms data” in its possession for the swap to a SDR “as soon as technologically practicable following execution of the swap.” The primary economic terms data required to be reported is generally comparable to the information required to be pursuant to § 242.901(c) and (d). The parties to the trade discharge their reporting obligation by trading on a SEF or DCM. Under the CFTC proposed rules, a reporting party is only required to report primary economic terms data “that is not reported by the SEF”. (This language is presumably intended to mean data of a nature that a SEF is not required to or does not undertake to report, rather than information the SEF fails to report in breach of its obligation. Tradeweb intends to recommend to the CFTC that the proposed rule be revised to make that clear.)<sup>3</sup>

*SB SEF role in reporting for transactions effected away; third-party service providers.* Even if a transaction is not required to be executed through a SB SEF or on an exchange, there would nonetheless be important benefits to requiring that information be reported through those entities – the SDR receiving the data, or the Commission, as the case may be, will have the assurance that the entity providing the data has the technological capability to effect accurate reporting, in a format familiar to it, and the SB SEF will provide a record-keeping function independent of the parties to the transaction. In addition, the SB SEF would be in a position to assign the transaction ID to the transaction at this early stage in the process, with the benefits described above.

For similar reasons, even if the Commission opts not to require that all transactions be reported through a SB SEF or other intermediary, the Commission should consider limiting the use of third-party reporting service providers to SEFs or other reporting market intermediaries, such as exchanges. Use of an intermediary with experience in the reporting process would facilitate timely and accurate reporting, the proper assignment of transaction IDs, and complete record-keeping. An open-ended authorization to reporting parties to use

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<sup>3</sup> The CFTC Proposed Reporting Requirements, in § 45.6, states that a registered entity or a counterparty may contract with a third-party service provider to facilitate its reporting. However, we believe that it is clear from the Requirements that mandatory reporting by a SEF or DCM is not a third-party reporting arrangement of a nature contemplated by § 45.6.

unregulated third parties with potentially limited experience in the execution and reporting of swap transactions may well lead to sub-optimal, and even incomplete or inaccurate, reporting to SDRs or to the Commission.

**Standardized reporting times.** Consistent with Dodd-Frank, the Commission has required that information must be reported “in real time,” meaning “as soon as technologically practicable, but in no event later than 15 minutes after the time of execution.”<sup>4</sup> This is true for the basic transaction information, but there are different timeframes stipulated for additional transaction data. We would encourage the Commission to standardize reporting times for all SBSs, and between SBSs and other types of swaps, to the extent practicable, in order to avoid unintended incentives potentially at odds with the goals of the Dodd-Frank Act. For example, the significant differences under proposed Regulation SBSR between the reporting times for transactions executed privately, not on an exchange or SB SEF, depending on whether the transactions are effected electronically or not, create potentially perverse incentives for the parties not to take advantage of available technology – a result at odds with the goals of the Dodd-Frank Act. In addition, aligning reporting times for SBSs with those for transactions effected in other types of swaps subject to the CFTC’s reporting requirements would help to limit the opportunities for arbitrage between different types of swap products and reporting regimes. For similar reasons, we believe that both the Commission and the CFTC should strive for consistency in its rules generally and reporting obligations specifically with non-US reporting regimes – thus eliminating regulatory arbitrage.

**Creation of transaction IDs.** The Commission is proposing that the SDR for a specific transaction assign the transaction ID for that transaction. We believe that, because of its role earlier in the execution/reporting process, the SB SEF or exchange should assign the transaction ID. This will allow for easier recordkeeping and tracking both at the SEF/exchange and counterparty levels, and will ensure that a transaction ID is assigned at the earliest possible point in the life of a transaction, minimizing risk at later stages in the reporting process. This is the approach adopted in the CFTC Proposed Reporting Requirements.

**SDR data charges.** Because of the nature and volume of the data SDRs will receive, the SDRs will be in a position to sell portions of that data, or provide access to portions of that data, to market participants for fees, which may be substantial. SB SEFs and exchanges will be required to provide data regarding a large number of transactions to the SDRs, from which the SDRs will derive the data they sell. We believe that the Commission should prohibit the SDRs from charging SB SEFs and exchanges fees for reporting transactions to the SDRs. Any such charges will drive up the cost of using SB SEFs and exchanges and so might discourage use of SB SEFs and exchanges to the extent the parties to a transaction have a choice. In addition, SB SEFs and their clients, like other users, would have to pay to purchase the data from the SDRs; it would be unfair to say the least to allow an SDR to charge SB SEFs to provide to the SDRs the data which SDRs would later charge the SB SEFs to access.

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<sup>4</sup> It is also important that the Commission (and the CFTC) are clear and consistent about what constitutes execution (as opposed to affirmation) so that market participants and SEFs/DCMs have a clear understanding about their reporting obligations and that public dissemination is consistent among trades by market participants.

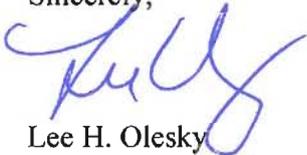
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If you have any questions concerning our comments, please feel free to contact us. We welcome the opportunity to discuss these issues further with the Commission and its staff.

Sincerely,



Lee H. Olesky  
*Chief Executive Officer*



Douglas L. Friedman  
*General Counsel*

cc: Honorable Mary L. Schapiro, Chairman  
Honorable Elisse B. Walter, Commissioner  
Honorable Kathleen L. Casey, Commissioner  
Honorable Luis A. Aguilar, Commissioner  
Honorable Troy A. Paredes, Commissioner