

MEMORANDUM

TO: File No. S7-06-11

FROM: Leah Mesfin

RE: Implementation of Dodd-Frank Wall Street Reform and Consumer Protection Act
S7-06-11 – Registration and Regulation of Security-Based Swap Execution
Facilities

DATE: April 3, 2014

On November 26, 2013, representatives from the Division of Trading and Markets, Nancy Burke-Sanow, Tom Eady, Leah Mesfin, and Claire Noakes, participated on a conference call with representatives from ICAP and triReduce, including Michael Modlock (Head of triReduce North America), Vikash Rughani (triReduce Business Manager), Karl Broom (triReduce Global Head of Compliance) and Patrick J. McCarty (ICAP Managing Director US Government Affairs and Regulatory Relations).

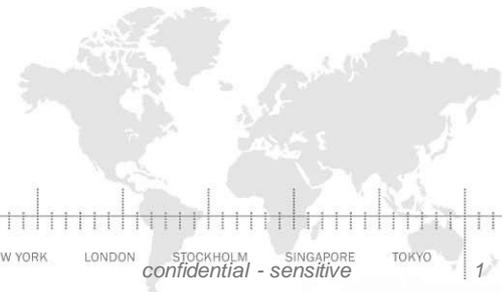
The discussion topics was: new developments in triReduce's credit compression services.



New Developments in TriOptima's triReduce Credit Compression Service

Securities and Exchange Commission

November 26th, 2013



Agenda

- Introduction
- Current triReduce Credit Offering
- Process Overview
- Future Enhancements
- Sample Compression Outcome
- Summary

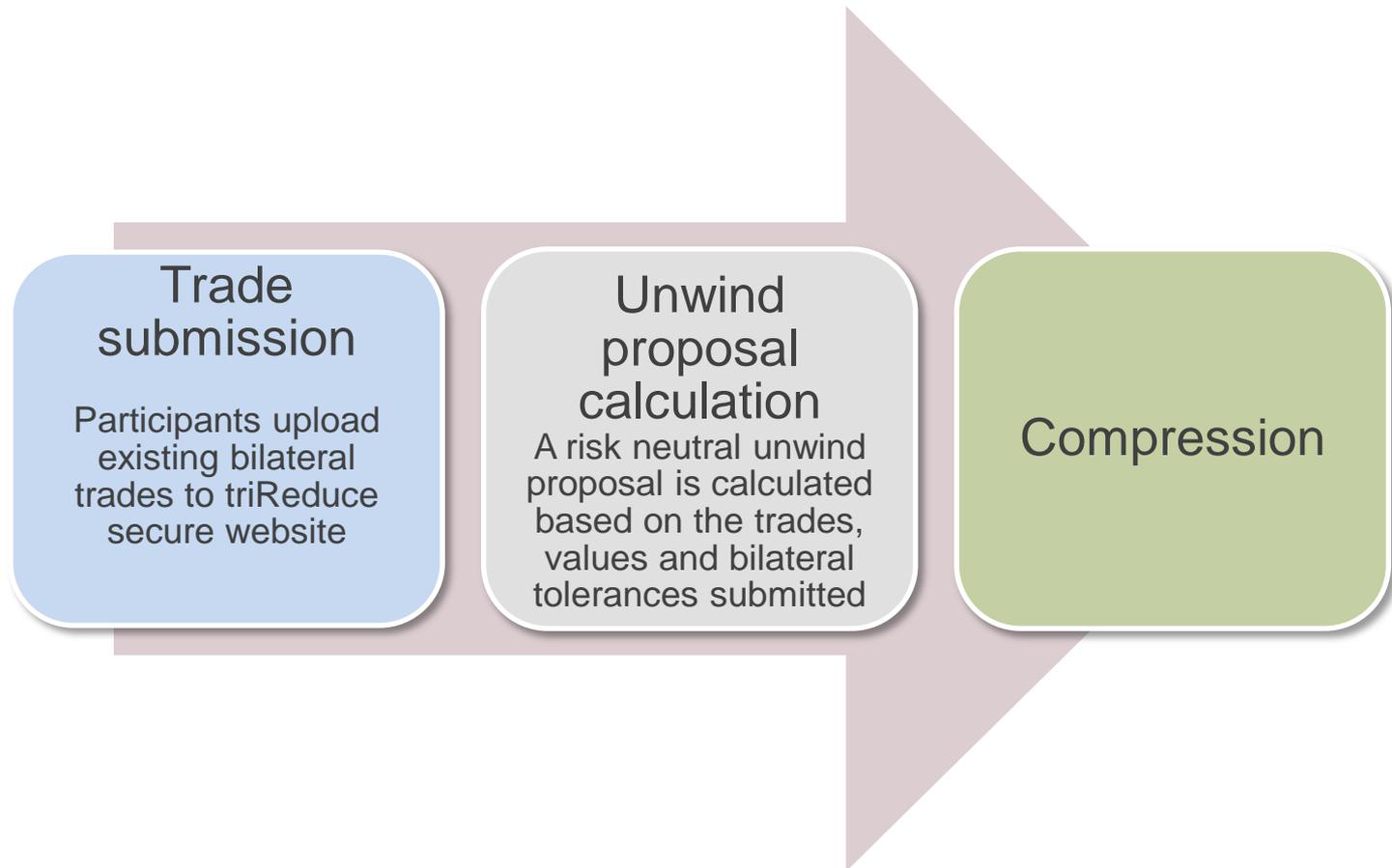
Introduction

- TriOptima offers portfolio compression services to market participants in Single Name CDS.
- Since inception of its triReduce Credit service in 2005, over 200 single name compression events have been run. 22 in 2013 YTD.
 - Compressing US\$ 7.7bn in single name gross notional globally; over US\$ 700m YTD.
 - Over 30 active participating firms.
- The purpose of this meeting is to provide an update on future initiatives to increase gross notional reduction performance.

Current triReduce Credit Offering

- Market risk neutral compression due to standardized CDS maturities.
 - No change in net notional, annual coupon, mark-to-market or credit spread delta at a reference entity and end date level.
- Standardization of legacy coupons for single name CDS.
- Through clearing and compression, CDS outstanding notional growth has been capped.
- Each compression event includes many reference entities at the same time, typically grouped by industry sector.

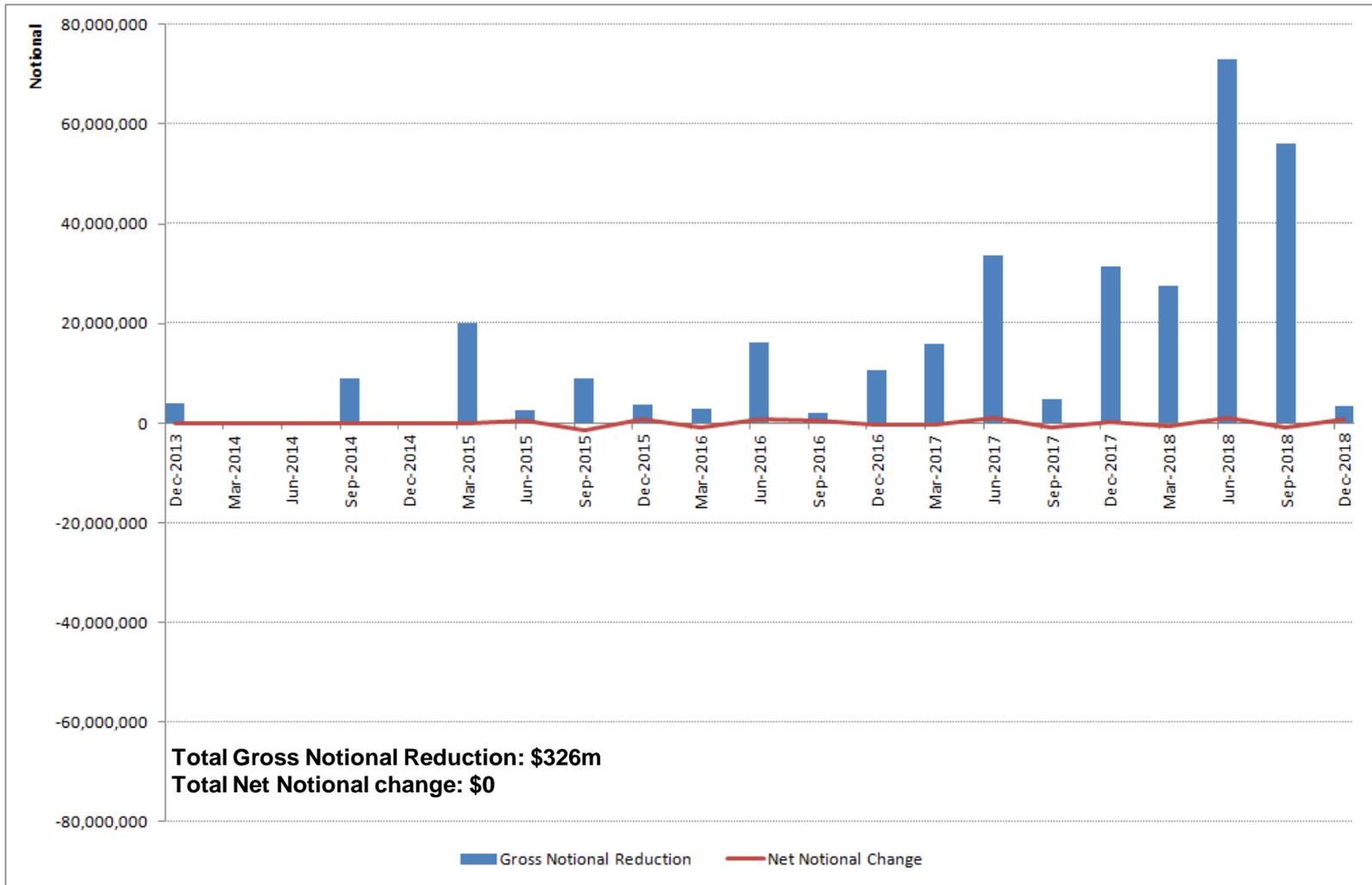
Process Overview



Future Enhancements

- Participants increasingly focused on reducing outstanding notionals.
 - Increased submission.
 - Allowing small notional deviation to release previously uncompressable gross notional.
- Risk-constrained compression
 - Using tight symmetrical market risk constraints to allow each participant to improve compression efficiency.
 - Enabling further compression and standardization of single name CDS.
 - Allowing for greater risk reduction and portfolio consolidation.

Sample Compression Outcome



Summary

- These methodology changes will enable further compression and standardization of single name CDS.
- Market risk neutral compressions have reduced in efficiency over time.
- Introducing the ability for each participant to set tight market risk constraints allows for continued delivery of effective multilateral compression.
- Simulations show a 10% improvement in gross notional reduction with the new methodology.



Thank you