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June 3, 2011

Via Electronic Submission:
http://comments.cftc.gov
Mr. David A. Stawick, Secretary
Commodity Futures Trading Commission
Three Lafayette Centre,1155 21st Street, NW
Washington, DC 20581

Via Electronic Submission:
rule-comments@sec.gov
Ms. Elizabeth M. Murphy, Secretary
Securities and Exchange Commission
100 F St., NE.
Washington, DC 20549

Re: Comments from Traccr Limited
Commodity Futures Trading Commission ("CFTC") Core Principles and Other Requirements for Swap Execution Facilities (RIN 3038-AD18)
Securities and Exchange Commission ("SEC") Registration and Regulation of Security-Based Swap Execution Facilities (No. S7-06-11)

Dear Mr. Stawick and Ms. Murphy:

We are responding to the CFTC and the SEC regarding their respective notices of proposed rulemaking (the "Proposed Rules") regarding swap execution facilities ("SEFs").

Traccr Limited ("Traccr") supports the goals of the Dodd-Frank Act, and efforts of the CFTC and the SEC to achieve those goals, which will reduce systematic risk and provide more transparency to the credit derivatives market. We are pleased to be able to make comments on the Proposed Rules and address areas where we believe they can be improved.

Who We Are
Traccr is a multi-participant request-for-quote ("RFQ") trading platform for credit derivatives which provides its customers with efficient execution and price transparency within the credit derivatives ("CDS") market. Traccr is a London-based company which operates an internet CDS portal and is regulated by the Financial Services Authority in the United Kingdom with regulatory passport to execute customer orders across sixteen European countries. Traccr is interested in expanding its reach to the United States, to extend its trade execution business to US customers.

Traccr has spent significant time working with buy-side customers in developing a trade execution platform that addresses their specific needs in terms of price matching, efficient execution across multiple dealers, record keeping and audit trails.

Our view is that customers in the CDS market are indeed interested in embracing electronic trading to obtain best execution across the wide range of possibilities that constitute CDS contracts and from a wider pool, to minimize trading errors and to reduce the time between requesting a quote and confirming a transaction.

Potential Market Inhibitors

While customers strive to achieve best execution, it is by no means an exact science when it comes to CDS trading. There is no one-size-fits-all. But the Proposed Rules ignore the reality of derivatives generally (and the CDS market in particular) where there are host of important variables within a swap transaction in addition to price. For example (and the list is not exhaustive) customers have to consider counterparty risk and limits, varying margin requirements based on the maturity and liquidity of the reference credit they want to trade, after sales customer-support, and correlation between the reference credit and the dealer. We believe that while customers strive for best execution, ultimately they may have to make a judgment on which participants they approach for trade requests based on these variables.

Matching all "moving parts" isn't often possible. Instead, matching as many of the variables as possible - which might not include pricing as the most important feature - can be more important than matching just a single variable. The Proposed Rules would enforce a "best execution" dynamic based on pricing within a time range or on pricing, even with transparency between specific customers. Both of those proposals from the SEC and the CFTC address a fiction in the derivatives market that a single or limited number of features drive "best execution." In so doing, the Proposed Rules could actually remove that possibility in some instances and, consequently, should not be adopted. A mandatory trade scheme centered on limited, arbitrary trade features without override capabilities does not work with swaps.

Furthermore, there are many instances where smaller customers cannot even reach a pool of any significance on the buy-side within the CDS market, and as such may not be able to satisfy a minimum number of RFQs. The larger the pool of trading partners, the greater the possibility for customers to make the best match. Anything that limits that possibility results in financial (micro, on the customer level) and economic (macro, on a market level) inefficiencies.

Moreover, as we know from our experience with RFQs, time-based forced execution protocols ignore the reality of the RFQ process: to keep the door open to ensure the greater possibility of opportunities. Under the SEC proposal, time-based protocols, by limiting needed flexilibity, could drive participants away from RFQs, thus constricting an entire swap market.

We believe that the rules should allow for some flexibility in the number of recipients to whom a customer should send requests. The trading rules for a SEF should, where possible, mimic current voice trading protocols. Today most customers trade the vast majority of their CDS transactions over the phone. We believe that over time, as customers become comfortable with electronic trading and the margin requirements become standardised across CDS contracts, they will naturally evolve into more price competition and the number of recipients for RFQs will grow.

However, that does not mean this evolution can be forced by regulations such as those proposed by the CFTC to mandate a minimum of 5 recipients for a RFQ. The only thing unquestionably achieved by a requirement for a minimum of recipients is that not all quotes will be sent: no quotes, no trades; no trades, a stagnant market. The realities of derivatives would be recognized by adopting the SEC's proposal for customers to opt into a smaller market.

From our offshore perspective, we can only urge the CFTC and the SEC to recognize the trading strengths which exist in jurisdictions other than the United States where there is a robust regulatory framework within financial markets. Participants in the United States should not subject offshore trading platforms and their other customers to the application of rules creating inconsistent treatment resulting from mandatory execution. Otherwise, the net effect may be to close to US participants the greater range of possible trades; ultimately, this could cause the constriction of the United States market overall.

In conclusion, Traccr believes that the CDS market appreciates the benefits of electronic trading and will embrace it, but it is a market which inherently requires considerable flexibility to create trade opportunities. The Proposed Rules do not adequately recognize those fundamental factors within CDS that may limit the ability of customers to operate within that regulatory framework.

Sincerely,

Farooq Jaffrey
Chief Executive Officer