



UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

DIVISION OF
TRADING AND MARKETS

March 13, 2023

Mr. Bruce H. Newman, Esq.
Wilmer Hale
7 World Trade Center
250 Greenwich Street
New York, NY 10007 USA

Re: Capitolis Liquid Global Markets LLC, Timing of Initial Submission of Certain Annual Reports and Reviews

Dear Mr. Newman:

In your March 10, 2023 letter (“Letter”), on behalf of Capitolis Liquid Global Markets LLC (the “Firm”), you request written assurance that the staff of the Division of Trading and Markets (“Division staff”) of the U.S. Securities and Exchange Commission (“Commission”) will not recommend enforcement action to the Commission under Sections 15F(f) and (k)(3) of the Securities Exchange Act of 1934 (“Exchange Act”)¹ and the security-based swap dealer (“SBSD”) risk management rules (Rule 18a-1(f) and Rule 15c3-4),² the SBSB capital rule (Rule 18a-1),³ the SBSB reporting rule (Rule 18a-7),⁴ and the SBSB chief compliance officer rule (Rule 15Fk-1)⁵ if the Firm incorporates certain annual reports and reviews for the first fiscal year after the Firm’s registration with the Commission as an SBSB into the reports and reviews for the Firm’s second fiscal year after registration with the Commission as an SBSB. In particular, the Firm requests relief from the requirements:

1. to file a financial report pursuant to Rule 18a-7(c)(1)(i)(A) and a report prepared by an independent public accountant covering the financial report pursuant to Rule 18a-7(c)(1)(i)(C);
2. to retain an independent certified public accountant to conduct an annual review of the firm’s risk management systems, pursuant to Rule 15c3-4(c)(3) by virtue of Rule 18a-1(f);

¹ 15 U.S.C. 78o-10(f) and (k)(3).

² 17 CFR 240.18a-1(f); 17 CFR 240.15c3-4.

³ 17 CFR 240.18a-1.

⁴ 17 CFR 240.18a-7.

⁵ 17 CFR 240.15Fk-1.

3. to file a compliance report or an exemption report pursuant to Rule 18a-7(c)(1)(i)(B)(I) or (2), as applicable, and a report prepared by an independent public accountant covering the compliance report or exemption report pursuant to Rule 18a-7(c)(1)(i)(C);
4. to prepare a compliance report pursuant to Rule 15Fk-1(c) and to submit it to the Commission pursuant to Rule 15Fk-1(c)(2)(ii)(A); and
5. to post a financial report on its website pursuant to Rule 18a-7(b)(1)

(collectively, “Reports and Reviews”).⁶ Based on the Letter, we understand the following facts and circumstances are relevant to your request.

Background

On January 3, 2023, the Firm filed with the Commission an application for registration as an SBSD, including a certification of reasonableness of its policies and procedures on Form SBSE-C executed by the Firm’s Chief Compliance Officer (“CCO”). The Firm’s fiscal year-end is the last day of January. Accordingly, the time period between its registration and its fiscal year-end is 28 calendar days.

The Firm does not have a prudential regulator, is not registered as a broker-dealer (including not registered as an over-the-counter derivatives dealer), is not applying substituted compliance with respect to Rule 18a-1, is not using a value-at-risk model to compute its net capital requirements, and intends to operate pursuant to an exemption from the segregation requirements of Rule 18a-4. The Firm currently has not onboarded any counterparties or engaged in any security-based swap transactions, did not onboard any counterparties or engage in any security-based swap transactions during its first fiscal year (which ended on January 31, 2023), and does not currently anticipate entering into its first security-based swap transaction until approximately June 2023. The Firm’s only activity since formation has been preparing for SBSD registration and preparing to commence operations later this year. Accordingly, there is no revenue, counterparties or security-based swap transactions that would be covered by the Reports and Reviews. While the Firm has retained an independent auditor, the Firm was only recently formed and has no history with the auditor, the auditor is not familiar with its systems,

⁶ See paragraph (c)(1)(i)(A) of Rule 18a-7 (requiring an SBSD to file an annual financial report), paragraph (f) of Rule 18a-1 (requiring an SBSD to comply with most of the provisions of Rule 15c3-4, including paragraph (c)(3) of Rule 15c3-4 requiring these annual reviews of risk management systems by certified public accountants), paragraphs (c)(1)(i)(B) and (c)(1)(i)(C) of Rule 18a-7 (requiring an SBSD claiming or not claiming an exemption from segregation requirements under Rule 18a-4 to file an exemption report or compliance report, as applicable, as well as a report prepared by an independent public accountant covering the exemption report or compliance report and financial report), paragraph (c) of Rule 15Fk-1 (requiring the chief compliance officer of an SBSD to annually prepare and sign a compliance report and requiring the SBSD to submit the compliance report with the Commission within 30 business days following the deadline for filing the annual financial report) and paragraph (b)(1) of Rule 18a-7 (requiring certain SBSDs to make publicly available the annual reports within 10 business days after the date the firm is required to file its annual reports with the Commission).

processes or controls and the required procedures related to the Reports and Reviews must be developed the Firm and reviewed by its auditors.

Your Request

Given the short time period between the Firm's registration as an SBSB and its fiscal year-end, the fact that it has not onboarded any counterparties or engaged in any security-based swap transactions, and the fact that the Firm's CCO has only recently certified to its policies and procedures, the Letter requests that the staff of the Commission provide assurance that it will not recommend enforcement action to the Commission under Sections 15F(f) and (k)(3) of the Exchange Act and specifically Rule 15c3-4(c)(3) by virtue of Rule 18a-1(f), Rule 18a-7(c)(1)(i)(A), Rule 18a-7(c)(1)(i)(B)(1) or (2), as applicable, Rule 18a-7(c)(1)(i)(C), Rule 18a-7(b)(1), and Rule 15Fk-1(c) (including without limitation Rule 15Fk-1(c)(2)(ii)(A) thereunder), if the Firm incorporates the Reports and Reviews for the first fiscal year after it is registered with the Commission as an SBSB (i.e., the fiscal year ended on January 31, 2023) into the Reports and Reviews for its second fiscal year after registration with the Commission as an SBSB (i.e., the fiscal year ending on January 31, 2024).

Response

Based on the facts and circumstances described in the Letter (and without necessarily agreeing with any conclusions or analysis set forth therein), Division staff will not recommend enforcement action to the Commission under Sections 15F(f) and (k)(3) of the Exchange Act specifically Rule 15c3-4(c)(3) (by virtue of Rule 18a-1(f)), Rule 18a-7(c)(1)(i)(A), Rule 18a-7(c)(1)(i)(B)(1) or (2), as applicable, Rule 18a-7(c)(1)(i)(C), Rule 18a-7(b)(1), and Rule 15Fk-1(c) (including without limitation Rule 15Fk-1(c)(2)(ii)(A) thereunder) if the Firm incorporates the Reports and Reviews for its first fiscal year after it is registered with the Commission as an SBSB (i.e., the fiscal year ended on January 31, 2023) into the Reviews and Reports for the second fiscal year after registration with the Commission as an SBSB (i.e., the fiscal year ending on January 31, 2024).⁷

This Division staff position is based strictly on the facts and circumstances stated in the Letter. Any different facts or circumstances from those set forth in the Letter may require a different response. Furthermore, this response expresses the Division staff's position on enforcement action only and does not purport to express any legal conclusions on the questions presented. The Division staff expresses no view with respect to any other questions that the proposed activities may raise, including the applicability of any other federal, state, or foreign laws. This position is subject to modification or revocation at any time.

⁷ This no-action letter is similar to the Division staff's no-action letter not objecting to newly registered SBSBs to consolidate certain reports and reviews for their first and second fiscal years if the first fiscal year is not greater than five months, which was one element of the facts and circumstances specified in that letter. See Letter from Mr. Michael A. Macchiaroli, Associate Director, Division of Trading and Markets, Securities and Exchange Commission to Ms. Kyle Brandon, Managing Director, Head of Derivatives Policy, Securities Industry and Financial Markets Association (Feb. 23, 2022).

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If you have any questions regarding this letter, please contact Valentina Deng, Special Counsel at (202) 551-5778, Randall W. Roy, Deputy Associate Director at (202) 551-5522, Michael Macchiaroli, Associate Director at (202) 551-5525, Kelly Shoop, Branch Chief at (202) 551-5981, Lourdes Gonzalez, Assistant Director at (202) 551-5581, or Carol McGee, Associate Director at (202) 551-5954.

Sincerely,

Michael A. Macchiaroli
Associate Director
Division of Trading and Markets

Emily Westerberg Russell
Chief Counsel
Division of Trading and Markets

Carol McGee
Associate Director
Division of Trading and Markets

March 10, 2023

Bruce H. Newman

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Re: Capitolis Liquid Global Markets LLC --Timing of Initial Submission of Certain Annual Reports and Reviews

Dear Associate Directors:

We are writing on behalf of our client, Capitolis Liquid Global Markets LLC (“CLGM”), a conditionally registered security-based swap dealer, to request written assurance that the staff of the Division of Trading and Markets of the Securities and Exchange Commission (“Commission”) will not recommend enforcement action to the Commission under Sections 15F(f) and (k)(3) of the Securities Exchange Act of 1934 (“Exchange Act”) and the security-based swap dealer (“SBSD”) risk management rules (Rule 18a-1(f) and Rule 15c3-4), the SBSB capital rule (Rule 18a-1), the SBSB reporting rule (Rule 18a-7) and the SBSB chief compliance officer rule (Rule 15Fk-1), if CLGM incorporates certain annual reviews and reports for the first fiscal year after its registration with the Commission as an SBSB into the reviews and reports for its second fiscal year after registration with the Commission as an SBSB. In particular, CLGM requests relief from the requirements:

1. to file a financial report pursuant to Rule 18a-7(c)(1)(i)(A) and a report prepared by an independent public accountant covering the financial report pursuant to Rule 18a-7(c)(1)(i)(C);
2. to retain an independent certified public accountant to conduct an annual review of the firm’s risk management systems, pursuant to Rule 15c3-4(c)(3) by virtue of Rule 18a-1(f);
3. to file a compliance report or an exemption report pursuant to Rule 18a-7(c)(1)(i)(B)(1) or (2), as applicable, and a report prepared by an independent public accountant covering the compliance report or exemption report pursuant to Rule 18a-7(c)(1)(i)(C);

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4. to prepare a compliance report pursuant to Rule 15Fk-1(c) and to submit it to the Commission pursuant to Rule 15Fk-1(c)(2)(ii)(A); and
5. to post a financial report on its website pursuant to Rule 18a-7(b)(1)

(collectively “Reports and Reviews”).¹ CLGM’s request is similar to the Division of Trading and Markets’ staff’s no-action letter not objecting to newly registered SBSBs to consolidate certain reports and reviews for their first and second fiscal years if the first fiscal year is not greater than five months, which was one element of the facts and circumstances specified in that letter.²

Background

CLGM, a Delaware limited liability company, was formed on December 14, 2022. On January 3, 2023, it filed with the Commission an application for registration as an SBSB, including a certification of reasonableness of its policies and procedures on Form SBSE-C executed by CLGM’s Chief Compliance Officer (“CCO”). CLGM’s fiscal year-end is the last day of January. Accordingly, the time period between its registration and its fiscal year-end is 28 calendar days.

CLGM does not have a prudential regulator, is not registered as a broker-dealer (including not registered as an over-the-counter derivatives dealer), is not applying substituted compliance with respect to Rule 18a-1, is not using a value-at-risk model to compute its net capital requirements, and intends to operate pursuant to an exemption from the segregation requirements of Rule 18a-4. CLGM currently has not onboarded any counterparties or engaged in any security-based swap transactions, did not onboard any counterparties or engage in any security-based swap

¹ See paragraph (c)(1)(i)(A) of Rule 18a-7 (requiring an SBSB to file an annual financial report), paragraph (f) of Rule 18a-1 (requiring an SBSB to comply with most of the provisions of Rule 15c3-4, including paragraph (c)(3) of Rule 15c3-4 requiring these annual reviews of risk management systems by certified public accountants), paragraphs (c)(1)(i)(B) and (c)(1)(i)(C) of Rule 18a-7 (requiring an SBSB claiming or not claiming an exemption from segregation requirements under Rule 18a-4 to file an exemption report or compliance report, as applicable, as well as a report prepared by an independent public accountant covering the exemption report or compliance report and financial report), paragraph (c) of Rule 15Fk-1 (requiring the chief compliance officer of an SBSB to annually prepare and sign a compliance report and requiring the SBSB to submit the compliance report with the Commission within 30 business days following the deadline for filing the annual financial report) and paragraph (b)(1) of Rule 18a-7 (requiring certain SBSBs to make publicly available the annual reports within 10 business days after the date the firm is required to file its annual reports with the Commission).

² See letter from Mr. Michael A. Macchiaroli, Associate Director, Division of Trading and Markets, Securities and Exchange Commission to Ms. Kyle Brandon, Managing Director, Head of Derivatives Policy, Securities Industry and Financial Markets Association (Feb. 23, 2022).

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transactions during its first fiscal year (which ended on January 31, 2023), and does not currently anticipate entering into its first security-based swap transaction until approximately June 2023. CLGM's only activity since formation has been preparing for SBSB registration and preparing to commence operations later this year. Accordingly, there is no revenue, counterparties or security-based swap transactions that would be covered by the Reports and Reviews. While CLGM has retained an independent auditor, CLGM was only recently formed and has no history with the auditor, the auditor is not familiar with its systems, processes or controls and the required procedures related to the Reports and Reviews must be developed by CLGM and reviewed by its auditors.

Absent the requested no-action relief, CLGM would be required, for its fiscal year ended January 31, 2023, to undertake and file or submit the required Reports and Reviews, which we respectfully believe would not be substantially meaningful in light of the absence of underlying business activity they are intended to capture and reflect.

Request for Relief

Given the short time period between CLGM's registration as an SBSB and its fiscal year-end, the fact that it has not onboarded any counterparties or engaged in any security-based swap transactions, and the fact that CLGM's CCO has only recently certified to its policies and procedures, CLGM respectfully requests that the staff of the Commission provide assurance that it will not recommend enforcement action to the Commission under Sections 15F(f) and (k)(3) of the Exchange Act and specifically Rule 15c3-4(c)(3) by virtue of Rule 18a-1(f), Rule 18a-7(c)(1)(i)(A), Rule 18a-7(c)(1)(i)(B)(1) or (2), as applicable, Rule 18a-7(c)(1)(i)(C), Rule 18a-7(b)(1), and Rule 15Fk-1(c) (including without limitation Rule 15Fk-1(c)(2)(ii)(A) thereunder), if CLGM incorporates the Reports and Reviews for the first fiscal year after it is registered with the Commission as an SBSB (i.e., the fiscal year ended on January 31, 2023) into the Reports and Reviews for its second fiscal year after registration with the Commission as an SBSB (i.e., the fiscal year ending on January 31, 2024).

Please feel free to reach out to the undersigned should you have any questions.

Sincerely,

Bruce H. Newman

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