March 10, 2020

Via Electronic Submission

Mr. Christopher Kirkpatrick
Secretary of the Commission
U.S. Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st Street, N.W.
Washington, D.C. 20581

Re: Post-Trade Name Give-Up on Swap Execution Facilities: Proposed Rule – RIN 3038-AE79, 84 Fed. Reg. 72262 (Dec. 31, 2019)

Dear Mr. Kirkpatrick:

The Bank Policy Institute ("**BPI**")[1] appreciates the opportunity to comment on the Commodity Futures Trading Commission's (the "**Commission**") above-captioned proposed rule (the "**Proposed Rule**") to ban post-trade name give-up ("**PTNGU**") for swaps executed anonymously on a swap execution facility ("**SEF**") that are intended to be cleared. As described below, we are concerned that banning PTNGU will have negative effects on the swaps market, which we hope the Commission will consider before finalizing the Proposed Rule.

First and foremost, we believe that PTNGU is an integral component of a well-functioning swap market that currently provides for tight pricing and stable liquidity via request-for-quote ("**RFQ**") SEFs, where the majority of trading in made available to trade ("**MAT**") swaps takes place today, as well as trading off-SEF in less standardized swaps that dealers hedge through MAT swaps. This robust liquidity provision is supported by dealers hedging the residual risk from client-facing swaps executed on RFQ SEFs and non-MAT swaps executed off-SEF over time on central limit order book ("**CLOB**") SEFs. Many dealers prefer hedging on CLOB SEFs with PTNGU over fully anonymous CLOB SEFs for a multitude of reasons, including that PTNGU: (1) is an integral component of the workup execution protocol; (2) helps manage adverse selection costs; (3) helps dealers evaluate and reduce hedging costs, which allows dealers to provide more tailored and frequently better pricing to clients; (4) is important for the effective execution of package transactions; and (5) creates essential post-trade transparency that helps address error trades and other trades that fail to clear. These reasons demonstrate that PTNGU serves a critical role in the swaps market beyond merely mitigating bilateral credit risk.

Given the importance of PTNGU to dealers' hedging, we believe that banning it could result in dealers reassessing the extent of their involvement in the swaps market when faced with increased hedging costs, which could result in wider spreads and less liquidity in the swaps market. The Commission should also be wary of further

[1] The Bank Policy Institute is a nonpartisan public policy, research and advocacy group, representing the nation's leading banks and their customers. Our members include universal banks, regional banks and the major foreign banks doing business in the United States. Collectively, they employ almost 2 million Americans, make nearly half of the nation's small business loans, and are an engine for financial innovation and economic growth.

disrupting the swaps market at a time during which such market is faced with the imminent discontinuation of the London Interbank Offered Rate.

Taking into account these potential negative consequences, we do not feel the Commission has provided compelling data or justification to support a PTNGU ban. Notwithstanding what the Proposed Rule suggests, we do not believe that the ban would promote trading on SEFs;[2] not only will at least some current participants on CLOBs (*i.e.*, dealers) reassess the extent of their continued involvement in the swaps market, but we believe it is also unlikely that additional market participants will commence trading on CLOBs. Such expected new entrants do not currently avail themselves to trading on available and operational CLOB SEFs that offer fully anonymous protocols today, and there is no reason to believe that would change if a PTNGU ban becomes effective.

Additionally, contrary to what the Proposed Rule suggests, the ban would not likely promote fair competition or further the policy underpinnings of impartial access or swap data reporting privacy.[3] Rather, the ban appears to be in direct conflict with the flexible execution methods that Congress intended for SEFs.[4] As a result, we believe it would not be appropriate for the Commission to extend any ban on PTNGU beyond MAT swaps given that it has not previously restricted execution methods for non-MAT swaps.

Before any ban is adopted, we suggest that the Commission conduct a more comprehensive cost-benefit analysis, as the one contained in the Proposed Rule demonstrates mixed results. If the Commission adopts any final rule related to PTNGU, we recommend a more incremental measure than what the Commission has set forth in the Proposed Rule, in order to avoid significantly altering a well-functioning market structure.

Finally, we would like to express our support for the comments presented in the comment letter submitted by the Financial Services Forum.

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BPI appreciates the opportunity to comment on the proposal. If you have any questions, please contact the undersigned by phone at 646-736-3961 or by email at brett.waxman@bpi.com.

Respectfully submitted,

Brett Waxman

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[2] Proposed Rule, 84 Fed. Reg. at 72265.

[3] *See* Proposed Rule, 84 Fed. Reg. at 72265-67.

[4] Commodity Exchange Act Section 1a(50).