

May 22, 2023

By Electronic Submission

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

Re: TW SEF LLC –Voluntary Submission for Commission Review and Approval for Swaps to be Made Available to Trade

Dear Mr. Kirkpatrick:

TW SEF LLC (“*TW SEF*”) is registered as a swap execution facility (“*SEF*”) with the Commodity Futures Trading Commission (the “*Commission*” or “*CFTC*”). TW SEF has withdrawn its prior filing for Commission review and approval for Swaps to be Made Available to Trade dated April 12, 2023 and hereby voluntarily submits now for Commission review and approval, pursuant to CFTC Rules 37.10 and 40.5, its determination of certain swaps that are made available to trade on the SEF under Section 2(h)(8) of the Commodity Exchange Act (the “*CEA*”), which was added to the CEA by Section 723 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the “*Dodd-Frank Act*”).¹

A. Background

Since 1998, through its operating affiliates, Tradeweb Markets Inc. (“*Tradeweb*”) has offered regulated electronic trading systems to institutional investors. Since 2013, TW SEF has offered trading to over 600 eligible contract participants (including more than two dozen liquidity providers and hundreds of other entities) in a variety of derivatives instruments, including interest rate swaps (“*IRS*”) in multiple currencies. Through flexible trading protocols (Request-for-Quote (“*RFQ*”), Request-for-Market, Click-to-Trade, and Order Book), Tradeweb’s platforms have played an important role in providing greater transparency, improving efficiency, and reducing risk in the trading of fixed income securities and derivatives – hallmarks of Title VII of the Dodd-Frank Act. Indeed, for swaps that are now subject to the clearing mandate and denominated in U.S. Dollars (“*USD*”) or British pounds sterling (“*GBP*”), TW SEF has done over \$185 trillion in USD equivalent notional value since 2013.² Much of the IRS electronic trading activity on our platforms has been in standardized, “on-the-run” instruments, and virtually all of the trading activity has been and continues to be in instruments for which there are ready and willing buyers and sellers, reflecting their suitability for electronic, multiple-to-multiple platform execution.

In October and November 2013, TW SEF self-certified to the Commission that certain credit default swaps and IRS were made available to trade (“*MAT*”) on its SEFs. In particular, TW SEF self-certified that IRS (i) referencing the London Interbank Offered Rate (“*LIBOR*”), (ii) denominated in USD or GBP and (iii) in the 2y, 3y, 4y, 5y, 6y, 7y, 10y, 12y, 15y, 20y and 30y tenors in the fixed-to-floating rate swaps class were MAT.

¹ Pub. L. No. 111-203, 124 Stat. 1376 (2010).

² When referring to the swaps we intend to make available to trade and platform data, we are specifically referring to TW SEF. TW SEF’s affiliate, DW SEF LLC, is registered as a SEF and lists a subset of the swaps listed on the SEF operated by TW SEF.

In August 2022, the Commission amended its swap clearing rules (17 C.F.R. § 50.4) to (i) remove from the clearing requirement (or, in certain cases, schedule the end date for the clearing requirement) for certain swaps, including swaps referencing GBP LIBOR and USD LIBOR and (ii) revise the clearing requirement to include swaps referencing risk-free rates (“RFRs”), including GBP Sterling Overnight Index Average (“SONIA”) overnight index swaps (“OIS”) in tenors from 7 days to 50 years and USD Secured Overnight Financing Rate (“SOFR”) OIS in tenors from 7 days to 50 years.³

Given the regulatory mandate to transition away from swaps referencing LIBOR and toward swaps referencing RFRs (including SONIA and SOFR), the implementation of clearing requirements for swaps referencing RFRs, the increased volume and liquidity of such swaps on SEFs, and the ongoing obligation on SEFs to make MAT determinations, TW SEF believes it is appropriate that the additional swaps described below be designated as MAT.

B. MAT Standard

Under Section 2(h)(8) of the CEA, any swap that is subject to mandatory clearing must be traded on a SEF or designated contract market (“DCM”), unless no such platform “makes the swap available to trade.” Thus, a category of swap that must be cleared is excluded from the trade execution requirement only if no SEF or DCM makes it available to trade (or if a CFTC exemption applies, such as for certain package transactions and inter-affiliate swaps). A determination that a swap is available to trade therefore has significant implications because it subjects that swap to the mandatory trade execution requirement of the CEA.

Pursuant to the Commission’s rules, a SEF or DCM is required to submit any determination that a swap is available to trade either for approval or under self-certification procedures under Rule 37.10 or Rule 38.12, respectively, pursuant to the procedures in Part 40 of the CFTC’s regulations. In connection with making “available to trade” determinations (as well as preparing annual reports), a SEF or DCM must consider, as appropriate, six enumerated factors with respect to the particular swap: (i) whether there are ready and willing buyers and sellers; (ii) the frequency or size of transactions; (iii) the trading volume; (iv) the number and types of market participants; (v) the bid/ask spread; and (vi) the usual number of resting firm or indicative bids and offers. The Commission notes in this regard that “while each of the enumerated factors is an indicator of trading activity and may be relevant in a determination, the Commission believes that no single factor must always be considered, nor must a SEF or DCM consider more than one factor in a determination. Therefore, the Commission believes that satisfying any one of the determination factors would sufficiently indicate that the contract is available to trade.”⁴ We respectfully submit this determination pursuant to CFTC Rules 37.10 and 40.5.

TW SEF respectfully submits that its MAT voluntary submission for Commission review and approval complies with the CEA and supports compliance with the Core Principles (“CPs”) applicable to SEFs. For the reasons stated in this submission, TW SEF’s MAT submission will promote the financial integrity of transactions (CP 7 (Financial Integrity of Transactions)) through the designation of swaps that

³ Clearing Requirement Determination Under Section 2(h) of the Commodity Exchange Act for Interest Rate Swaps To Account for the Transition From LIBOR and Other IBORs to Alternative Reference Rates, 87 F.R. 52192 (Aug. 24, 2022).

⁴ Process for a Designated Contract Market or Swap Execution Facility To Make a Swap Available to Trade, Swap Transaction Compliance and Implementation Schedule, and Trade Execution Requirement Under the Commodity Exchange Act, 78 F.R. 33606, 33612 (Jun. 4, 2013). Upon a determination by a SEF or DCM that a swap has been made available to trade, that swap would also be deemed available to trade on all SEFs and DCMs that list or offer such swap for purposes of Section 2(h)(8) of the CEA. However, other SEFs or DCMs would not be required to list or offer the swap for trading.

are most actively traded and most easily lend themselves to the post-trade clearing and reporting regime, which in turn will provide greater pre- and post-trade price transparency (CPs 4 (Monitoring of Trading and Trade Processing), 9 (Timely Publication of Trading Information), and 10 (Recordkeeping and Reporting)), and monitoring and surveillance (CPs 3 (Swaps Not Readily Susceptible to Manipulation) and 4). Of course, compliance with these CPs provides for compliance with CPs 1 (Compliance with Core Principles) and 2 (Compliance with Rules).⁵

C. TW SEF's MAT Determination

Given Tradeweb's 18-year history in managing electronic derivatives marketplaces (and our 25-year history in electronic fixed income trading), Tradeweb believes it is in a unique position to observe and quantify market participants' electronic trading behavior. Due to the breadth of institutions participating on our platforms and the metrics that we can capture from the activity on our platforms, we have been able to develop a very clear picture of the electronic execution of swaps (including swaps that are relatively new to SEF trading and mandatory clearing), which allows us to quantify the trading experience of both liquidity takers and liquidity providers.⁶

As noted above, a determination that a swap has been MAT has significant implications because it subjects such a swap to the mandatory trade execution requirement under the CEA. Accordingly, while we are supportive of the migration of mandatorily cleared swaps onto regulated platforms (and such migration is in our commercial interest),⁷ we believe it is critically important that SEFs and DCMs treat the MAT determination process responsibly so that swaps subject to the trading mandate actually meet the enumerated criteria, and the trading mandate is not unnecessarily disruptive to the marketplace and market participants. To that end, we considered the six enumerated MAT factors in light of the activity we have observed on our platforms and in the marketplace to make this MAT determination.

With this perspective and experience in mind, we have addressed below each of the six factors with respect to certain additional IRS that are subject to the clearing mandate and are listed on Tradeweb's SEFs, and have set out below the swaps TW SEF has determined to MAT:

⁵ The foregoing factors and compliance with CPs will also support compliance with CPs 6 (Position Limits and Accountability) and 8 (Emergency Authority) to the extent necessary for the SEF to exercise its authority under these CPs.

⁶ In addition to the enumerated criteria, we have analyzed other quantifiable measures such as hit ratio (i.e., conversion of request into an executed transaction), quote ratio (how often a liquidity provider quotes a request vs allowing it to time out), number of streaming contributors (where applicable), time to quote (how long it takes for a liquidity provider to respond to an RFQ from a liquidity taker), and time to accept (average length of a trading session) when defining our initial MAT list—all indicators which contribute to our assessment of an "electronically tradable" swap.

⁷ As noted, we submitted to the CFTC in 2013 a MAT determination letter with respect to certain IRS and credit default swaps. See <https://www.cftc.gov/sites/default/files/stellent/groups/public/@otherif/documents/ifdocs/tradewebmatdeter101813.pdf>.

Specification	Overnight Index Swaps (OIS)		
Currency	U.S. Dollar (USD)	U.S. Dollar (USD)	U.S. Dollar (USD)
Floating Rate Indices	Secured Overnight Financing Rate (SOFR)	Secured Overnight Financing Rate (SOFR)	Secured Overnight Financing Rate (SOFR)
Trade Start Type	Spot Starting (T+2)	IMM Start Date (next two IMM dates)	IMM Start Date (next two IMM dates)
Optionality	No	No	No
Fixed Leg			
Payment Frequency	Annual	Annual	Annual
Day Count Convention	ACT/360	ACT/360	ACT/360
Business Calendars	New York/USNY	New York/USNY	New York/USNY
Payment Lag	2 Days	2 Days	2 Days
Floating Leg			
Payment/Reset Frequency	Annual	Annual	Annual
Day Count Convention	ACT/360	ACT/360	ACT/360
Business Calendars	New York/USNY	New York/USNY	New York/USNY
Payment Lag	2 Days	2 Days	2 Days
Fixing Calendars	US Government Securities/USGS	US Government Securities/USGS	US Government Securities/USGS
Fixing Offset	0 Days	0 Days	0 Days
Dual Currencies	No	No	No
Notional	Fixed Notional	Fixed Notional	Fixed Notional
Fixed Rate	Par	Par	Standard Coupon
Tenors	2, 3, 4, 5, 6, 7, 10, 12, 15, 20, 30 Years	2, 3, 4, 5, 6, 7, 10, 12, 15, 20, 30 Years (Standard and IMM end/roll date convention)	1, 2, 3, 4, 5, 7, 10, 15, 20, 30 Years (Standard end/roll date conventions)

Overnight Index Swaps (OIS)	
Sterling (GBP)	Sterling (GBP)
Sterling Overnight Index Average (SONIA)	Sterling Overnight Index Average (SONIA)
Spot Starting (T+0)	IMM Start Date (next two IMM dates)
No	No
Annual	Annual
ACT/365.FIXED	ACT/365.FIXED
London/GBLO	London/GBLO
0 Days	0 Days
Annual	Annual
ACT/365.FIXED	ACT/365.FIXED
London/GBLO	London/GBLO
0 Days	0 Days
London/GBLO	London/GBLO
0 Days	0 Days
No	No
Fixed Notional	Fixed Notional
Par	Par
1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 12, 15, 20, 25, 30 Years	1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 12, 15, 20, 25, 30 Years (Standard and IMM end/roll date convention)

D. Application of the MAT Factors to OIS SOFR IRS and OIS SONIA IRS

As noted above, the regulatory mandate for the market to transition away from LIBOR and to RFRs prompted TW SEF to reevaluate whether it would be appropriate for other contracts trading on its platform to be subject to the trade execution requirement. TW SEF conducted detailed analyses of the trading attributes and liquidity profile of various swap contracts and, after consultation with several of its participants, determined, as detailed in this section, that the aforementioned OIS SOFR IRS and OIS SONIA IRS contracts should be MAT.

(1) *Whether there are ready and willing buyers and sellers*

The first MAT factor asks whether there are ready and willing buyers and sellers of a swap proposed to be MAT. The OIS SOFR IRS and OIS SONIA IRS markets are deep and liquid. Swap Data Repositories (“SDRs”)⁸ reported total volume of spot transactions⁹ in OIS SOFR IRS and OIS SONIA IRS traded from January 2022 to November 2022 as over USD 6.4 trillion of notional in SOFR and over GBP 976 billion of notional in SONIA in the benchmark points in the proposed MAT tenors noted in the table above.

In addition to reviewing this SDR data, TW SEF also reviewed trading on its own platform. The total volume of spot OIS SOFR IRS traded on TW SEF from January 2022 to November 2022 was over USD 2.5 trillion of notional in the same benchmark points. The total volume of spot OIS SONIA IRS traded on TW SEF from January 2022 to November 2022 was over GBP 294 billion of notional in the same benchmark points. The substantial trading volume in the relevant OIS SOFR IRS and OIS SONIA IRS tenors indicates that there are, in fact, a substantial number of buyers and sellers ready and willing to trade these contracts, and that it would be appropriate for these swaps to be MAT.

(2) *The frequency or size of transactions*

Pursuant to the second MAT factor, a SEF considers the frequency or size of transactions in contracts proposed to be MAT. To evaluate this factor, TW SEF again reviewed relevant SDR data. The following table further demonstrates the substantial volume in the OIS SOFR IRS and OIS SONIA IRS markets, and, therefore, the appropriateness of the contracts in the proposed OIS SOFR IRS and OIS SONIA IRS tenors to be MAT.

Size and Frequency of IRS Transactions Reported by SDRs 1/1/2022 through 11/30/2022 ¹⁰		
Currency	GBP	USD
Average Trade Size (millions)	37	50
Number of Trades per Month	2,366	11,600

⁸ When referencing SDR data and volume statistics herein, all block size trades reported to the SDR are assumed to be at the minimum block size.

⁹ “Spot” is defined (1) for SOFR to mean trade date = swap effective date *minus* 2 business days and (2) for SONIA to mean trade date = swap effective date.

¹⁰ Data in this table is sourced from DTCC and refers to spot- and benchmark-transactions in OIS SOFR IRS and OIS SONIA IRS in the proposed MAT tenors.

Size and Frequency of IRS Transactions Reported by TW SEF 1/1/2022 through 11/30/2022 ¹¹		
Currency	GBP	USD
Average Trade Size (millions)	29	54
Number of Trades per Month	927	4,229

(3) *The trading volume*

The third MAT factor similarly focuses on the trading volume in the contracts proposed to be MAT. The volume data provided in (1) and (2) illustrates the frequency of proposed MAT OIS SOFR IRS and OIS SONIA IRS trading on a market-wide basis and on TW SEF.

Additionally, TW SEF reviewed trading on its platform. The average daily trading volume on TW SEF alone, from January 2022 to November 2022 for OIS SOFR IRS equaled over USD 83 billion of notional. The average daily trading volume on TW SEF for OIS SONIA IRS for the same time period equaled over GBP 38 billion. These average daily trading numbers represent total platform volumes, including swaps in tenors not listed in our proposed MAT designation. Given this substantial amount of volume, it would be appropriate for these OIS SOFR IRS and OIS SONIA IRS tenors to be MAT.

(4) *The number and types of market participants*

The fourth MAT factor concerns the number and types of market participants active in the markets for the contracts proposed to be MAT—more, and more varied market participants indicates that a contract is more suitable to being MAT. To evaluate this factor, TW SEF reviewed data regarding the activities of the market participants on its platform. As noted above, over 600 entities have transacted on TW SEF since inception across all contracts, including swap dealers, asset managers, banks, broker-dealers, government-sponsored entities, central banks, hedge funds, insurance firms, pension funds, endowments, proprietary trading firms and REITs. Based on an analysis of that data, TW SEF determined that, of those 600+ entities, 230+ entities have transacted in OIS SOFR IRS and 170+ entities transacted in OIS SONIA IRS. The needs and reasons for these institutions to trade the different OIS SOFR IRS and OIS SONIA IRS products vary greatly, and that is one of the reasons this market is so liquid. The substantial number and types of market participants that have transacted in the relevant OIS SOFR IRS and OIS SONIA IRS tenors indicates that there are, in fact, a substantial number of market participants ready and willing to trade these contracts, and that it would be appropriate for these swaps to be MAT.

(5) *The bid/ask spread*

With respect to the fifth MAT factor, a SEF must analyze the bid/ask spread for a contract proposed to be MAT. The bid/ask spread represents the cost of executing a transaction and, generally speaking, is calculated by taking the difference between the highest price at which a market participant is immediately willing to buy an asset (the bid) and the lowest price at which a market participant is immediately willing to sell that same asset (the ask). The bid/ask spread is a widely accepted measure of market liquidity—a tighter spread is generally indicative of greater liquidity (i.e., because greater incoming trading interest will lead market makers, liquidity providers or other large volume traders to raise their bids and lower their asks,

¹¹ Data in this table refers to spot- and benchmark-transactions in OIS SOFR IRS and OIS SONIA IRS in the proposed MAT tenors.

thus tightening the spread, in order to increase their chances of executing against that incoming interest). The opposite holds true as well—a wider bid/ask spread is indicative of a less liquid market.

In order to evaluate this factor, TW SEF considered quoting activity in the contracts proposed to be MAT. On TW SEF, the best indicator of quoting activity is executable bid/ask spreads. TW SEF determined that, in the period from January 2022 to November 2022, the executable bid/ask spread in the OIS SOFR IRS was on average under 0.5 basis points from bid-to-ask, with over 99% of the transactions being executed in under 1 basis point from bid-to-ask. In the same period, the executable bid-to-ask in OIS SONIA IRS was on average under 0.7 basis points from bid-to-ask, with over 90% of the transactions being executed in under 1 basis point from bid-to-ask. Given this data, there is substantial liquidity in the relevant OIS SOFR IRS and OIS SONIA IRS tenors and it would be appropriate for these swaps to be MAT.

(6) *The usual number of resting firm or indicative bids and offers*

The final MAT factor concerns the usual number of resting firm or indicative bids and offers for a contract proposed to be MAT. A larger number of resting bids and offers is indicative of a more liquid market suitable to being MAT. Resting bids and offers is a particularly appropriate measurement for trading platforms that operate a central limit order book. On an RFQ platform like TW SEF, there are no resting bids and offers. Instead, a similar, but more relevant measure is the number of liquidity providers that are streaming actionable, disclosed quotes with corresponding size at which they are willing to buy or sell a particular swap.

As described above, the OIS SOFR IRS and OIS SONIA IRS swaps that we have proposed for MAT designation trade frequently each day by a variety of market participants with varying hedging and risk-taking needs. In this regard, on a typical trading day there are a large number of liquidity providers that are streaming prices to our platform in various OIS SOFR IRS and OIS SONIA IRS tenors. For example, across the OIS SOFR IRS tenor curve, there are typically 24 liquidity providers streaming pricing on the average trading day. And, in all of the OIS SONIA IRS tenors, there are typically 22 liquidity providers streaming prices on the average trading day. The large number of liquidity providers streaming prices for the contracts proposed to be MAT is indicative of liquid markets and it would be appropriate for these contracts to be MAT.

We believe that the data provided in response to all six MAT factors supports a MAT determination in the proposed contracts.

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TW SEF hereby certifies that this filing complies with the CEA and regulations promulgated by the Commission thereunder. TW SEF also engaged in informal consultation with several of its participants regarding a potential MAT determination. This determination reflects TW SEF's incorporation of feedback from those participants. TW SEF is unaware of any opposing views with regard to this filing.

In accordance with the requirements of Part 40 of the Commission's regulations, TW SEF also hereby notifies the Commission that TW SEF has electronically filed this voluntary submission to the Commission under cover of the enclosed submission cover sheet in accordance with Appendix D to Part 40. TW SEF further certifies that it has, concurrent with the filing of this submission, posted a notice of pending submission with the Commission together with a copy of this submission on TW SEF's website, available at <http://www.tradeweb.com>. Pursuant to CFTC Rule 37.12, there would be a 30-day compliance period following the Commission's approval, if TW SEF's MAT determination is approved by the Commission under CFTC Rule 40.5.

Should you or your staff have questions or comments or require further information regarding this submission, please contact the undersigned.

Respectfully submitted,



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