

April 12, 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 – Self-Certification for Swaps to be Made Available to Trade***

Dear Mr. Kirkpatrick:

TW SEF LLC (“*TWSEF*”) is registered as a swap execution facility (“*SEF*”) with the Commodity Futures Trading Commission (the “*Commission*” or “*CFTC*”). TW SEF hereby voluntarily submits 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*”).<sup>1</sup>

**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 dealers 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 (“*GBP*”), TW SEF has done over \$185 trillion in USD equivalent notional value since 2013.<sup>2</sup> 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.

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<sup>1</sup> Pub. L. No. 111-203, 124 Stat. 1376 (2010).

<sup>2</sup> When referring to the swaps we intend to make available to trade and platform data, we are specifically referring to TW SEF (and its predecessor exempt board of trade platform). TW SEF’s affiliate, DW SEF LLC, is also temporarily 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.<sup>3</sup>

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 Dodd-Frank Act.

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 “no single factor would be dispositive, as the DCM or SEF may consider any one factor or any combination of factors in its determination that a swap is available to trade.”<sup>4</sup> We respectfully submit this self-certification determination pursuant to CFTC Rules 37.10 and 40.5.

TW SEF respectfully submits that its MAT self-certification 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 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

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<sup>3</sup> 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).

<sup>4</sup> 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.

(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).<sup>5</sup>

### 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.<sup>6</sup>

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 Dodd-Frank Act. Accordingly, while we are supportive of the migration of mandatorily cleared swaps onto regulated platforms (and such migration is in our commercial interest),<sup>7</sup> 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:

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<sup>5</sup> 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.

<sup>6</sup> 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.

<sup>7</sup> 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 day	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 Day	0 Day
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****(1) *Whether there are ready and willing buyers and sellers***

The OIS SOFR IRS and OIS SONIA IRS markets are deep and liquid. Swap Data Repositories (“SDRs”)<sup>8</sup> reported total volume of spot transactions<sup>9</sup> 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.

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.

**(2) *The frequency or size of transactions***

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

**(3) *The trading volume***

The volume 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, 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.

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

As noted above, over 600 entities transact on TW SEF, including dealers, asset managers, banks, broker-dealers, government-sponsored entities, central banks, hedge funds, insurance firms, pension funds, endowments, proprietary trading firms and REITs. 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.

<sup>8</sup> 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.

<sup>9</sup> “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.

<sup>10</sup> Data in this table refers to spot- and benchmark-transactions in OIS SOFR IRS and OIS SONIA IRS in the proposed MAT tenors.

(5) *The bid/ask spread*

In January 2022 to November 2022, the bid/ask spread in the OIS SOFR IRS and OIS SONIA IRS products that we have proposed for MAT consideration are all consistently under 1 basis point from bid-to-offer.

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

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 dealers that are streaming prices to our platform in various OIS SOFR IRS and OIS SONIA IRS tenors. For example, in the 2y, 5y, 10y, and 30y OIS SOFR IRS products, there are typically 24 dealers streaming pricing on the average trading day. In the 2y, 5y, 10y, and 30y OIS SONIA IRS products, there are typically 22 dealers streaming prices on the average trading day.

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TW SEF hereby certifies that this filing complies with the CEA and regulations promulgated by the Commission thereunder. 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 certification with the Commission together with a copy of this submission on TW SEF's website, available at <http://www.tradeweb.com>. TW SEF's MAT certification shall be effective on June 1, 2023.

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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