

March 7, 2016

Mr. Christopher J. Kirkpatrick
Secretary
Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st Street NW
Washington, DC 20581

Re: Comments on Draft Technical Specifications for Certain Swap Data Elements

Dear Mr. Kirkpatrick:

Citadel LLC¹ (“Citadel”) appreciates the opportunity to provide comments to the Commodity Futures Trading Commission (the “Commission”) on its proposal regarding draft technical specifications for certain swap data elements under part 45 of Commission regulations. As a significant participant in the OTC derivatives markets, we applaud the Commission for continuing to focus on data standardization. We believe many of the technical specifications included in this proposal will be helpful in bringing greater transparency and consistency to the swaps market and we have specific recommendations to further enhance the effectiveness of the Commission’s reporting regime.

I. Package Transactions

We support the Commission’s efforts to more accurately identify package transactions given that a significant portion of swaps in certain asset classes are traded as part of a package. For the “Package/Strategy ID” identifier, the Commission should leverage the package transaction categories already defined in prior no-action relief issued by the Commission (e.g. NAL 15-55). The Commission should also collect information on how many legs are associated with the specific package transaction and the instruments involved (including non-swaps). This will assist the Commission in distinguishing between specific types of packages, such as interest rate swap curves, butterflies and US dollar swap spreads, data that will be critical to the Commission in analyzing the impact of other regulatory requirements, such as SEF trading, on particular packages. Finally, since packages are priced and executed as a single trade, one price for the entire package should be sufficient rather than requiring market participants to impute a price for each leg.

¹ Citadel is a global financial firm built around world-class talent, sound risk management, and innovative market-leading technology. For more than a quarter of a century, Citadel’s hedge funds and capital markets platforms have delivered meaningful and measurable results to top-tier investors and clients around the world. Citadel operates in all major asset classes and financial markets, with offices in the world’s leading financial centers, including Chicago, New York, San Francisco, Boston, London, Hong Kong, and Shanghai.

II. Clearing

The proposed “Intent to Clear Indicator” seeks to differentiate between swaps submitted to clearing (but not yet cleared) and swaps successfully cleared. This data element appears counterintuitive, though, as swaps pending clearing would be labeled “Yes” while already cleared swaps would be labeled “No” (even though the parties successfully cleared the swap, as intended). We recommend using more intuitive data elements to differentiate between these two stages of the workflow, such as “Pending Clearing (Y/N)” or “Successfully Cleared (Y/N)”.

We also note that for cleared swaps executed on a SEF or DCM, the concept of executing an “original swap” that is submitted to clearing and then extinguished and replaced by a cleared swap once accepted by the clearinghouse does not reflect the actual workflow in practice. Pursuant to the Commission’s straight-through-processing rules, a cleared swap executed on a SEF or DCM is either successfully cleared as soon as technologically practicable or is void *ab initio* (so there is never a bilateral position or any counterparty exposure).² As a result, we recommend the Commission reflect this recognized workflow and simplify the reported data by eliminating the “original swap pending clearing” concept for cleared swaps executed on a SEF or DCM.

III. Order Details for Swaps Executed On or Subject to the Rules of a SEF or DCM

A. The “Order Source” Field

In connection with the “Order Source” data element, the Commission should obtain information regarding (a) the specific execution venue where the order was placed, (b) whether or not the order is in relation to a cleared swap and (c) for orders relating to cleared swaps, the clearinghouse associated with the order, since all of this information is relevant to pricing.

B. The “Price Discovery” Field

We support gathering data regarding the trading protocol used to place a specific order (i.e. RFQ, CLOB, etc.). We note that there are several different iterations of request-for-quote used by SEFs, including “Request-for-Stream” (also referred to as “RFQ+” or “Click-to-Trade”), where streaming prices are provided by a SEF participant on a separate screen from the SEF’s order book. The proposed “Actionable Indicative Message” identifier may be intended to capture this trading protocol, but it is worth noting that both firm and indicative prices can be provided pursuant to Request-for-Stream. As a result, the Commission should require additional granularity regarding the specific type of RFQ protocol used.

The Commission has proposed separate identifiers for “Central Limit Order Book” and “Orderbook” and will need to clearly explain the difference to avoid any confusion. In addition, the Commission should clarify whether the proposed “Permitted Method of Execution” identifier should only be used to label execution methods not otherwise listed.

² Please see the comment letter dated October 30, 2015 submitted by the Managed Funds Association and the Alternative Investment Management Association on the Commission’s proposed rulemaking for “Amendments to Swap Data Recordkeeping and Reporting Requirements for Cleared Swaps”, available at: <http://comments.cftc.gov/PublicComments/ViewComment.aspx?id=60512&SearchText=>.

C. The “Match DateTimestamp” Field

We support including a field identifying the time the order was matched by the SEF or DCM, representing the execution timestamp. In general, we believe greater consistency is required from SEFs and DCMs regarding the methodology used to determine the execution timestamp, including with respect to (a) RFQs, where some SEFs may be using the timestamp of when the RFQ process started instead of when the order was actually accepted and (b) voice brokers, where some SEFs may be using the timestamp of when the matched orders were entered into an electronic system instead of when the transaction was first agreed on the phone.

IV. Amendments to Part 43

As the Commission continues to consider enhancements to the current swap data reporting regime, we urge the Commission to solicit comment on part 43 regarding improvements to the quality and consistency of information that is publicly available to market participants. Based on our experience with SEF trading, we believe there are enhancements that can be made to the public reporting regime that will improve transparency for market participants.

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We appreciate the opportunity to provide comments on the Commission’s swap data reporting requirements. Please feel free to call the undersigned at (312) 395-3100 with any questions regarding these comments.

Respectfully,

/s/ Adam C. Cooper

Senior Managing Director and Chief Legal Officer