

Summary of proposed no action letter regarding qualifying Multilateral Trading Facilities as proposed in the July Path Forward Statement

MTFs

Multilateral Trading Facilities (MTFs) are European-regulated financial trading venues that are similar to U.S. Regulated Swap Execution Facilities (SEFs). Some, but not all of them, offer trading of swaps.

The July Path Forward Statement

- On July 11, 2013, CFTC Chairman Gary Gensler and European Commissioner Michel Barnier announced a Path Forward regarding their joint understandings on how to approach cross-border regulation of derivatives.
- The Path Forward provided that if the CFTC's trading mandate goes into effect before March 15, 2014, the CFTC will write no action letters to provide relief to certain EU-regulated MTFs (qualifying MTFs), while the European MTFs agree to meet certain CFTC mandated conditions.

The CFTC's trading mandate

The CFTC's trading mandate will become effective on February 15, 2014. There is no change to the trading mandate.

The No Action Letter (NAL) with Conditions fulfils the CFTC's commitment under the Path Forward

U.S. persons can fulfil the trading mandate by trading on a qualifying MTF; a qualifying MTF need not register in the United States as a SEF if it has U.S. person customers as long as they satisfy the rigorous conditions that impose the SEF regulation on any qualifying MTF, such as:

- **Multilateral trading requirement** – a qualifying MTF **must** have an order book for all swaps offered on the platform.
- **Pre-trade transparency** – other execution methods **must** conform to those execution methods SEFs are allowed to provide, i.e. **No RFQ to 1**.
- **Block sizes** – are the **same** as those the CFTC established for SEFs.
- **Post-trade transparency** – swaps involving U.S. persons must be reported by the qualifying MTF to a CFTC-regulated Swap Data Repository.

- **Non-discriminatory access** - must be comparable and comprehensive as CFTC requirements
- **Appropriate oversight** – must be comparable and comprehensive to CFTC requirements.

Additional Conditions of the NAL:

- The NAL **does not** provide any relief from the clearing requirement or the reporting requirement.
- **Level of comfort:** it is not enough for an MTF simply to change its rulebook to qualify under the NAL - the regulator must impose the conditions itself.

Transitional No Action Letter

Qualifying MTFs will have until March 24 to identify themselves to the CFTC and for their regulators to begin imposing the conditions above.

CFTC reserves the right to pull the NAL at any time and without notice for any MTF that fails to meet the conditions set forth in the letter.