UNITED STATES
COMMODITY FUTURES TRADING COMMISSION
Three Lafayette Centre
1155 21st Street, NW
Washington, DC 20581

Division of Clearing and Risk
Division of Market Oversight
Market Participants Division

Re: No-Action Positions Regarding Post-Trade Risk Reduction Services

Dear Ladies and Gentlemen:

The Division of Market Oversight ("**DMO**"), the Division of Clearing and Risk ("**DCR**"), and the Market Participants Division ("**MPD**" and together with DMO and DCR, the "**Divisions**") of the Commodity Futures Trading Commission ("**CFTC**" or "**Commission**") are issuing this letter in response to a request from three firms that provide post-trade risk reduction services ("**PTRRS**") for swaps—Capitolis Partners LLC, Quantile Technologies Limited (as part of the London Stock Exchange Group plc), and TriOptima AB (as part of OSTTRA) (each, individually, a "**Service Provider**" and collectively, the "**Service Providers**").[1] The three PTRRS made available by the Service Providers are: (i) portfolio compression, (ii) portfolio rebalancing, and (iii) basis risk mitigation. The Service Providers request a staff no-action letter under Commission regulation 140.99[2] for failure to comply with certain CFTC rules that may be applied to the three Service Providers and two of their services: portfolio rebalancing and basis risk mitigation ("**Optimization Services**"). Optimization Services allow swap market participants to reduce various risks in their swap portfolios without materially changing their market exposures.

The Service Providers seek staff no-action for themselves for failure to register as a swap execution facility ("**SEF**"). In addition, the Service Providers seek staff no-action for the benefit of any person who engages in Optimization Services for (1) failure to enter into a swap or swaps on a designated contract market ("**DCM**"), a SEF, or a SEF that is exempt from registration **("exempt SEF")** pursuant to the trade execution requirement under Section 2(h)(8) of the Commodity Exchange Act ("**CEA**") or (2) for failure to submit a swap or swaps that are required to be cleared to a derivatives clearing organization ("**DCO**") pursuant to CEA Section 2(h)(1) and part 50 of Commission regulations. Additional conditions on the registration status of the Service

[1] Request Letter from S. Lofchie and S. Souchet to Acting Directors of the Divisions of Clearing and Risk and Market Oversight and the Director of the Market Participants Division, Re: Request for No-Action Positions Regarding Post-Trade Risk Reduction Services (Jun. 11, 2026). CFTC staff letters and incoming request letters are available on the Commission's website at *https://www.cftc.gov/LawRegulation/CFTCStaffLetters/letters.htm*.

[2] 17 CFR 140.99.

Providers, the Optimization Services, and swap market participants using such services are discussed further below. The Services Providers request for staff no-action related to real-time public reporting also is discussed below.

I. Background: Post-Trade Risk Reduction Services

As noted, there are two types of Optimization Services that comprise the PTRRS for which the Service Providers seek staff no-action on behalf of themselves and the market participants using those services: portfolio optimization and basis risk reduction. In addition to the Optimization Services, Service Providers offer portfolio compression, which the Service Providers compare to Optimization Services for purposes of background information.

In particular, the Service Providers emphasize that the process by which portfolio compression is achieved, and the benefits that portfolio compression provides, are substantially similar to the processes employed in, and the benefits provided by, the Optimization Services. The Service Providers note that portfolio compression already benefits from the exemptions that they are seeking as to the Optimization Services, and as such, the Service Providers argue that the reasons why the staff granted no-action for portfolio compression services should apply with equal force to the Optimization Services.

A. Portfolio Compression

While the Service Providers are not seeking further no-action for portfolio compression, it is useful to describe how the service works and note how Commission rules and prior staff no-action positions treat this service. The Commission's portfolio compression regulations in part 23 define "multilateral portfolio compression" as "an exercise in which multiple swap counterparties wholly terminate or change the notional value of some or all of the swaps submitted by the counterparties for inclusion in the portfolio compression exercise and, depending on the methodology employed, replace the terminated swaps with other swaps whose combined notional value (or some other measure of risk) is less than the combined notional value (or some other measure of risk) of the terminated swaps in the compression exercise."[3]

Compression may be achieved either by amending existing swaps or by terminating such swaps and replacing them with swaps of lower notional value but equal market exposure.[4] Under the amended swap method, the outstanding notional value of the original swap between two counterparties is reduced by amending the original swap or by terminating the swap entirely. Under the swap replacement method, one or more existing swaps are terminated and replaced by new swaps that reflect a netting down of existing notional exposure between the counterparties. In both methods, the counterparties' market exposure and maximum maturity do not change.

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[3] *See* Commission regulations §§ 23.503 and 23.500(h), the latter of which is the definition of "multilateral portfolio compression exercise."

[4] *See No-Action from Required Clearing for Swaps Resulting from Multilateral Portfolio Compression Exercises*, CFTC Letter No. 13-01 (Mar. 18, 2013) (the "**Portfolio Compression Clearing No-Action Letter**"). Both compression methods are described in this staff no-action letter.

The Commission previously acknowledged the benefits of portfolio compression services by: (i) the Commission's adoption of a requirement under Commission regulation 23.503 for swap dealers and major swap participants to "establish, maintain, and follow written policies and procedures for periodically engaging in" portfolio compression exercises with other swap dealer and major swap participant counterparties; (ii) the Commission's identification of entities providing portfolio compression services as being outside the scope of the Commission's definition of SEF in Section 1a(50) of the CEA;[5] (iii) the Commission staff's issuance of a no-action letter in 2013 with respect to the CEA's clearing requirement for swaps subject to multilateral portfolio compression;[6] (iv) the Commission staff's issuance of a no-action letter for swap dealers subject to margin for uncleared swaps rules with respect to post-trade risk reduction services, including multilateral compression services;[7] and (v) the exclusion of portfolio compression exercises from the real-time public reporting requirements under part 43 of the Commission's regulations.[8]

The 2013 no-action position taken by Commission staff regarding the swap clearing requirement continues to apply as of the date of this letter.[9] Staff reiterated its recognition of the benefits of portfolio compression exercises in an August 2020 no-action letter regarding the swap clearing requirement for amendments to legacy uncleared swaps to facilitate an orderly transition from inter-bank offered rates to alternative risk-free rates in the wake of the global transition from

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[5] *See* Final Rule, *Core Principles and other Requirements for Swap Execution Facilities*, 78 Fed. Reg. 33476, 33482 (June 4, 2013). The Commission noted that portfolio compression services provide a netting mechanism that reduces the outstanding trade count and outstanding gross notional value of swaps in two or more swap counterparties' portfolios. The Commission determined that an entity providing a portfolio compression service in which "a portfolio compression service may wholly terminate or change the notional value of some or all of the swaps submitted by counterparties for inclusion in the portfolio compression exercise and, depending on the methodology employed, replace the terminated swaps with other swaps whose combined notional value (or some other measure of risk) is less than the combined notional value (or some other measure of risk) of the terminated swaps in the compression exercises" does not meet the SEF definition in CEA section 1a(50) and would not have to register as a SEF under section 5h(a)(1) of the Act. *Id.*

[6] *See Portfolio Compression Clearing No-Action Letter* at pages 2-3.

[7] *See No-Action Position: Application of Uncleared Swap Margin Rules to Immaterial Amendments, Swaption Exercises, Partial Terminations, Partial Novations, or Multilateral Compression of Legacy Swaps*, CFTC Letter No. 19-13 (June 6, 2019).

[8] 17 CFR part 43. In 2013, the Commission determined that portfolio compression exercises should not be publicly disseminated under part 43 because "the purpose of such transactions is to mitigate risk between counterparties and any new swaps that were executed as a result of portfolio compression exercises would be a result of the compression itself and not an arm's-length transaction between the parties." *Real-Time Public Reporting of Swap Transaction Data*, 77 Fed. Reg. 1182, 1187 (Jan. 9, 2012)(excluding under Regulation 43.2(a) executed swaps resulting from portfolio compression exercises from the definition of publicly reportable swap transaction.)

[9] *See Portfolio Compression Clearing No-Action Letter*. The letter has no expiration date and the Commission has not codified it.

the London Interbank Offered Rate to alternative reference benchmarks.[10] Commission staff stated that the no-action position taken in the Portfolio Compression Clearing No-Action Letter "is consistent with Commission rules promoting the use of multilateral compression as a means of operational and risk management."[11]

B. Portfolio Rebalancing

As described by the Service Providers, portfolio rebalancing (or counterparty risk reduction) is an Optimization Service intended to reduce the counterparty credit risk or change the concentration of credit risk in existing swap positions. The process works through the insertion of new swap transactions into existing portfolios. The result of these new transactions is that market risk for participants is unchanged beyond pre-defined tolerances entered by each participant, but the credit risk exposure between particular counterparties may be reduced, and the overall credit risk of the participants in the PTRRS exercise will be reduced.

Portfolio rebalancing is similar to portfolio compression in that it is intended to help market participants reduce counterparty credit risk without changing their market risk. However, unlike compression, portfolio rebalancing involves inserting new transactions into the portfolios of participants that will raise the gross notional value of their swaps portfolio with a view to reducing the non-market risk of the whole portfolio. But, like portfolio compression, portfolio rebalancing leaves each counterparty with an unchanged level of market risk.

C. Basis Risk Mitigation

As described by the Service Providers, basis risk mitigation is an Optimization Service used to reduce the risk that arises from misaligned pricing dates or expiration dates in portfolios that appear to be fully hedged. For example, a swap counterparty has offsetting long and short positions of the same size in a particular asset and the maturities of the offsetting swaps are almost the same, but one expires on the last business day of a month, and the other expires on the first business day of the next month. In this instance, the difference in expiration dates, which could be several days depending on weekends and holidays, introduces unhedged timing risk into positions that seem to be offsetting. The cumulative effect of such unhedged timing risk in a large portfolio can be substantial.

Basis risk mitigation works without amending or terminating any existing positions by adding equal and opposite technical transactions to neutralize the price setting or expiration dates of existing portfolio positions. New swap transactions resulting from basis risk mitigation are not price forming and do not change the overall market risk of a portfolio, beyond pre-defined tolerances agreed by all participants in the basis risk mitigation exercise.

II. PTRRS Operational Processes

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[10] *See Revised Staff No-Action Relief from the Swap Clearing Requirement for Amendments to Legacy Uncleared Swaps to Facilitate an Orderly Transition from Inter-Bank Offered Rates to Alternative Risk-Free Rates*, CFTC Letter No. 20-25, (Aug. 31, 2020) ("**IBOR Clearing No-Action Letter**").

[11] *See IBOR Clearing No-Action Letter* at page 6.

Both Optimization Services operate in a materially similar fashion. The Service Provider for a Optimization Service (i) serves as a central hub for inputs from participants of their existing portfolios and of any constraints to be imposed during the exercise (*e.g.*, the maximum new credit exposure that one participant will accept to another participant, or the maximum maturity of transactions that a participant will accept with another participant); and (ii) serves as the operator of the relevant service that will be used for purposes of the post-trade risk reduction exercise. As explained by the Service Providers, the benefits of the exercise increase with the number of participants because this expands the opportunities for beneficial matching, offsetting, and elimination of risks.

On periodically designated dates (the frequency depends upon the nature of the Optimization Service), participants submit their portfolio positions and their entity and transaction term constraints. The relevant Service Provider then "runs" participants' portfolio data and constraints through its algorithm and the algorithm identifies terminations, amendments, or new transactions that reduce risks in a market risk neutral manner, and within the constraints entered by each participant in the exercise (transactions identified by a Optimization Service algorithm are hereafter referred to as "**PTRRS Transactions**").

For the exercise to run in a market risk neutral manner, the algorithm must account for the maturity curves of the positions considered and reflect a deemed market value on all positions and potential swaps. Depending on the Optimization Service model used, this is accomplished by accepting the mid-market prices at a time before the exercise is run as the value of the positions. This illustrates that the purpose of the Optimization Service is unrelated to price discovery because even before any exercise runs, the prices on which all transactions are based will be both known and stale. For example, in the case of interest rates, there is a curve constructed based on existing prices, and that curve is preidentified and provided to the participants, but no individual point on the curve may be "existing" in the sense that there was a trade done at exactly that price. A simpler example would be taking the midpoint of the bid/offer on an equity trade.

Depending on the complexity of the run, it may take from a few hours to more than a day. At the end of the run, the Service Provider's Optimization Service algorithm will identify PTRRS Transactions to the participants in the exercise and notify each participant of the output PTRRS Transactions that are relevant to that participant. Each participant will, depending on the particular process, be required affirmatively to accept all of the PTRRS Transactions identified by the Service Provider's exercise. In all cases, no partial rejection or selection is allowed from any participant in a post-trade risk reduction exercise. Where participant acceptances of PTRRS Transactions are required by an Optimization Service model for such PTRRS Transactions to become effective, a single rejection of a single PTRRS Transaction by one participant will cause the entire run to be discarded.

As explained by the Service Providers, to avoid any question as to whether a Service Provider is a SEF by virtue of it executing transactions for the participants, a Service Provider may require that each participant confirm its acceptance of any relevant transactions with each other participant with which it has a PTRRS Transaction. This process of exchanging multiple messages may delay the confirmation of the transactions for several hours or more because under such an Optimization Service model, no PTRRS Transactions can be deemed entered into until the last participants have exchanged messages of acceptance. The number of participants in each run will vary by Service Provider and type of service offered.

Once all acceptances have been exchanged and execution of the PTRRS Transactions has occurred among the participants, then, depending on the Optimization Service model, the Service Provider will notify the participants that the PTRRS Transactions have been executed by such participants and can be booked.

As described by the Service Providers, the Optimization Service participants may then report their PTRRS Transactions to the market at the price at which the PTRRS Transactions were executed. Those prices will now be stale given the time it takes to run the exercise.

III. Global PTRRS Exemptions from Clearing and Trading Obligations and Transparency Requirements

As detailed below, three jurisdictions have considered PTTRS and taken actions to allow PTRRS Transactions to be exempt from the clearing requirement, the trade execution requirement, and public reporting obligations. Additionally, the Service Providers are not required to register as multilateral trading venues. Commission staff considered these changes and legal rationale in each of these three jurisdictions.

1. *United Kingdom*

In December 2025, the Bank of England published a consultation paper proposing to exempt from the derivatives clearing obligation[12] under Article 4 of UK EMIR,[13] the transactions carried out as part of PTRRS.[14] In explaining the policy rationale for the proposed exemption, the Bank of England stated the following: "The Bank [of England] considers that exempting transactions arising from PTRR services would support its financial stability objective by reducing complexity and increasing the efficiency of PTRR services. This should support access to PTRR services for a wider range of market participants, allowing them to reduce their counterparty, operational, and basis risk. This can unlock resources that would otherwise be managing these risks for other purposes. For example, increasing greater liquidity in the system which in turn benefits financial stability or as capital, to support innovation and growth."[15]

[12] The derivatives clearing obligation under UK law has roughly the same meaning as the swap clearing requirement under Commission regulations.

[13] Onshore UK Regulation (EU) No 648/2012 of the European Parliament and of the Council of 4 July 2012 on OTC derivatives, central counterparties and trade repositories ("**UK EMIR**"). Article 4 of UK EMIR requires all eligible over-the-counter derivative contracts to be cleared by a central counterparty.

[14] *See* Bank of England, Consultation Paper, *Exempting Post-Trade Risk Reduction Transactions from the Clearing Obligation* (Dec. 11, 2025) ("**Bank of England Consultation Paper**") *https://www.bankofengland.co.uk/paper/2025/cp/exempting-post-trade-risk-reduction-transactions-from-the-clearing-obligation*. The Financial Services and Markets Act of 2023 gave the Bank of England the authority to exempt by rule from the clearing obligation in Article 4(1) of UK EMIR, a class or classes of derivatives in relation to activities or transactions carried out as part of a PTRRS or to persons of a specified description in the provision of such services.

[15] *Id.* at ¶ 3.

The consultation ended March 11, 2026. If enacted as proposed, the exemption would exempt PTRRS because transactions resulting from a PTRRS exercise are non-price forming, participants are not able to post bids or offers, the transactions do not contribute to the price discovery process, the transactions do not materially affect the market risk of the portfolio, and requiring the transactions to be centrally cleared may limit access to PTRRS.[16] The exemption would apply to a PTRRS transaction that meets the following conditions: (1) the transaction results from a PTRRS provider that is not affiliated with the market participants and the PTRRS provider is not a party to a transaction; (2) the PTRRS is operated on the basis of non-discretionary rules set in advance by the PTRRS provider and are based on specified parameters; (3) the transactions bind all participants; (4) the PTRRS is performed in accordance with an eligible agreement; and (5) the PTRRS is not designed by the market participant or the PTRRS provider to circumvent the clearing obligation in Article 4(1) of UK EMIR.[17] The Bank of England Consultation Paper also defines "eligible agreement," and sets out notification conditions that the PTRRS provider must provide to the Bank of England in advance of providing a PTRRS for the first time and prior to ceasing to provide the PTRRS.

In April 2025, pursuant to authority granted to it by new Article 31 of UK Markets in Financial Instruments Regulation ("**UK MiFIR**"),[18] the U.K. Financial Conduct Authority ("**FCA**") provided exemptions for portfolio compression, portfolio rebalancing, and basis risk optimization services from (i) the obligation of PTRRS providers to operate as, or seek authorization as, multilateral trading venues, (ii) the derivatives trading obligation under Article 28 of UK MiFIR,[19] and (iii) certain transparency requirements, including the obligation to publicly report transactions that arise in connection with the use of PTRRS.[20]

Under the FCA's rules, to be eligible for an exemption, PTRRS must meet the following criteria: (1) the service is provided by a PTRRS provider that is not (a) affiliated with the market participants to whom the service is provided and (b) party to a transaction resulting from the PTRRS; (2) the service is operated on the basis of non-discretionary rules with specified

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[16] *See id*. at ¶ 26.

[17] *See* Annex to the Bank of England Consultation Paper.

[18] Schedule 2 to the FSMA 2023 revoked Article 31 of UK MiFIR on portfolio compression and replaced it with a new Article 31 covering certain delineated risk reduction services. New Article 31 of UK MiFIR allows the FCA to make rules to exempt or "disapply" trades conducted as part of PTRRS, with or without conditions, from the obligation to be authorized as a trading venue when operating a multilateral system as a multilateral trading facility or organized trading facility (Market Abuse Regulation ("MAR") Rule 5AA.1.1 in the Market Conduct sourcebook), and the derivatives trading obligation in Article 28 of UK MiFIR.

[19] According to the FCA, the risk reduction services were considered for exemption from the trading obligation of Article 28 of UK MiFIR because the trading obligation is primarily aimed at improving transparency, enhancing price formation, and strengthening market integrity. The transactions that result from PTRRS are non-price forming and do not support the price discovery process. For these reasons, the FCA decided to disapply the transparency obligations for a transaction carried out as part of an eligible PTRRS. Financial Conduct Authority, *Policy Statement on the Derivatives Trading Obligation and Post-Trade Risk Reduction Services*, PS25/2 at pages 16-17 (Apr. 2025).

[20] *See id.*

parameters set in advance by the PTRRS provider; and (3) the service results in a transaction that binds all the participants.[21] Furthermore, the following conditions must be met for a PTRRS provider to be exempt from the relevant obligations: (1) the provider must perform the PTRRS in accordance with an eligible agreement; (2) the provider must make public in relation to its service of portfolio compression: (a) the total number of transactions and aggregate volume submitted for compression and (b) the total number of transactions and aggregate volume of derivatives terminated or modified; (3) the provider must make public in relation to its non-compression PTRRS (a) the total number of new derivatives transactions and (b) the value of these transactions expressed in terms of aggregate volume; (4) the provider must make public the information in (2) and (3) no later than the close of the following business day after a risk reduction has been completed; and (5) the provider must maintain complete and accurate records of all the PTRRS they organize or participate in and make the records available to the FCA promptly upon request.[22] Finally, a person, prior to providing a PTRRS must comply with certain notice provisions.[23]

2. *European Union*

The European Securities and Markets Authority ("**ESMA**") is currently undertaking a consultation to develop regulatory standards on the requirements for PTRRS for the purpose of the clearing obligation exemption under the European Market Infrastructure Regulation ("**EMIR**").[24] The regulatory standards if adopted would apply to compression, portfolio

[21] MAR 12.4.1.

[22] MAR 12.5.

[23] MAR 12.6.

[24] ESMA, Consultation Paper, *Regulatory Standards on the Requirements for Post-Trade Risk Reduction Services for the Purposes of the Clearing Obligation Exemption Under EMIR*, Feb. 26, 2026) ("ESMA Consultation Paper") *https://www.esma.europa.eu/press-news/consultations/consultation-regulatory-standards-post-trade-risk-reduction-services*. The statutory authority to exempt PTRRS transactions from the clearing obligation is in Article 4b of EMIR 3 (entered into force on Dec. 24, 2024), which allows a conditioned exemption from the clearing obligation for transactions resulting from PTRRS. Paragraph 3 of Article 4b of EMIR lists the following requirements for a PTRRS exercise to be exempted from the clearing obligation: (1) be performed by entities authorized as investment firms and independent of the counterparties to the over-the-counter (OTC) derivatives contracts; (2) achieve a reduction in risk in each of the portfolios submitted to the exercise; (3) be accepted in full; (4) be open for participation only to entities which initially submitted the portfolio to the PTRRS exercise; (5) be market risk neutral; (6) not contribute to price formation; (7) take the form of compression, rebalancing or optimization or combination thereof; and (8) be executed on a bilateral or multilateral basis. ESMA Consultation Paper at page 14. Under Paragraph 4 of Article 4b of EMIR, a PTRRS provider must (1) comply with pre-agreed rules of the exercise and act in a reasonable, transparent and non-discriminatory manner; (2) ensure the entities participating in the exercise have no influence over the result of the PTRRS; (3) undertake regular compression exercises where PTRRS exercises result in new PTRRS transactions; and (4) keep complete and accurate records of all transactions executed pursuant to the PTRRS exercises including the information on transactions entered into as part of the exercise, the transactions resulting from the exercise either as modified transactions or new transactions and the overall change in the risk of different portfolios included in the exercise. *Id.* at 14-15. Paragraph 4 also requires the provider make records available to the relevant competent authority and to ESMA, to monitor the transactions resulting from the exercise to ensure, to the extent possible, that the exercise does not result in any misuse or circumvention of the clearing obligation. *Id.* at 15.

rebalancing, and basis risk optimization.[25]

The proposed Delegated Act would require PTRRS exercises that are exempted to: (1) be market risk neutral; (2) achieve a reduction in risk in each of the portfolios to the exercise; (3) result in non-price forming transactions that are concluded according to pre-defined rules; and (4) not increase the aggregate net uncleared risk in the portfolio of a participant. Furthermore, the PTRRS providers must have measures and safeguards in place to avoid any increase in the uncleared risk from the exercise and maintain records that contain the information necessary to demonstrate that the exercise does not increase uncleared risk. Under the proposal, in order for the transactions to be eligible for a clearing obligation exemption, the service provider must be independent of the counterparties to the contracts included in the exercise.[26] An exercise must be limited to the entities that initially submitted their portfolios and execution of the exercise must be on an all or nothing basis, and executed on a bilateral or multilateral basis.[27]

In November 2025, the European Commission issued new rules[28] exempting PTRRS from the transparency and trading obligation requirements of the European Union Markets in Financial Instruments Regulation ("**EU MiFIR**"),[29] as well as requiring providers of PTRRS to keep complete and accurate records of the transactions.[30] The rules specify what constitutes PTRRS for the purposes of the Article 31(1) MiFIR exemption: (1) they are provided by a third-party service provider through the use of an algorithm on all or nothing basis; (2) they achieve a reduction of risk in each derivatives portfolio submitted to the PTRRS by the counterparties to the derivatives transactions; (3) they are market risk neutral; and (4) where new derivatives transactions result from the PTRRS, they do not contribute to price formation. These rules also

[25] ESMA Consultation Paper at 23. ESMA also sought to investigate and to reach a "common understanding" on what could be "other" PTRRS, while at the same time noting it is not aware of other types of PTRRS. *Id.* at pages 26-27.

[26] Article 4b(3) of EMIR.

[27] ESMA Consultation Paper at pages 39-41. The ESMA Consultation Paper also would establish operating conditions for the PTRRS providers and impose requirements on the PTRRS agreement.

[28] *Markets in financial instruments (MiFIR) – post-reform changes on RCB, liquid markets for equity instruments, and PTRR*, MiFIR Delegated Act amending CDR 2017/567 (Nov. 24, 2025) (adopting a Delegated Act adding a new Article 16a).

[29] Regulation (EU) No 600/2014 of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Regulation (EU) No 648/2012.

[30] Recital 27 of MiFIR states that the trading obligation "should not apply to the components of non-price forming post-trade risk reduction services which reduce non-market risks in derivatives portfolios including existing OTC derivatives portfolios in accordance with [EMIR] without changing the market risks of the portfolios. While it is appropriate to make specific provision for portfolio compression, this Regulation is not intended to prevent the use of other post-trade risk reduction services." The definition of portfolio compression in Article 2(1)(47) of MiFIR did not change.

identified portfolio compression services, rebalancing services, and basis risk optimization services as PTRRS for purposes of this exemption.[31]

3. *Australia*

In March 2026, the Australian Securities and Investments Commission ("**ASIC**") finalized Simple Consultation 33 to extend its exemption from the clearing requirement in section 2.1.1 of the Derivatives Transaction Rules (Clearing) for multilateral portfolio compression exercises to derivatives transactions entered as a result of a post-trade risk reduction exercise.[32] The amendment groups portfolio compression, rebalancing, and optimization into one category, PTRR.[33] The amendments do not require derivatives transactions entered into under a PTRR exercise to be cleared if: (1) the clearing transaction is entered into by the clearing entity as a result of the clearing entity participating in a PTRRS exercise; and (2) the clearing transactions entered into by the clearing entity as a result of the PTRRS are only entered into with persons who are participants in the exercise; and (3) the exercise is conducted in accordance with the rules of a third-party service provider of a PTRRS and involves at least two participants, none of which was the third-party service provider.[34]

Australia does not regulate PTRRS providers and does not have rules exempting PTRRS from transparency requirements or the trading obligation.[35]

IV. No-Action Position Sought for Optimization Services and PTRRS Transactions

A. Overview of No-Action Position Sought

The Service Providers, either on their own behalf or on behalf of the participants in a Optimization Service exercise, are seeking a Commission staff no-action position for failure to comply with any of the following aspects of the Commission's regulations:

- SEF Registration. Subject to certain exceptions, CEA Section 5h(a)(1) requires any entity that falls within the scope of the definition of "swap execution facility" under CEA Section

[31] Article 16a, Post-Trade Risk Reduction Services, Amendments to Delegated Regulation (EU) 2017/567 (adopted Nov. 24, 2025); s*ee also* ESMA Consultation Paper at 18.

[32] ASIC Derivative Transaction Rules (Clearing) (2026) is available here: *https://www.legislation.gov.au/F2026L00262/latest/downloads*. These rules came into effect on April 1, 2026.

[33] Rule 2.1.5(2)(c)(vii), ASIC Derivative Transaction Rules (Clearing).

[34] Rule 2.1.5, ASIC Derivative Transaction Rules (Clearing).

[35] Australia does however recognize the importance of such services because it requires that an entity supervised by the Australian Prudential Regulatory Authority that transacts in non-centrally cleared derivatives to apply risk mitigation standards related to, among other things, trade confirmation, portfolio reconciliation, portfolio compression, and valuation processes. *See* Standards 75-95 of Prudential Standard CPS 226 Margining and Risk Mitigation for Non-Centrally Cleared Derivatives. *https://handbook.apra.gov.au/standard/cps-226*.

1a(50) to register as such with the Commission. The Service Providers seek confirmation that, even if they facilitate the execution of transactions resulting from an Optimization Services exercise, they are not required to register as SEFs either because their activities do not bring them within the relevant definition or because no purpose would be served by such registration. The Service Providers argue that no benefit would be served by having the participants submit their portfolios or the PTRRS Transactions resulting from the run of a PTRRS exercise through a SEF. That is, the purpose of a SEF is to facilitate price forming transactions by forcing pre-trade price transparency or price discovery—two activities that have no place in a PTRRS run since the relevant prices are pre-determined before the exercise even runs. Further, the Service Providers argue that the ways in which they have attempted to structure themselves to avoid SEF registration introduces needless uncertainty and additional operational risks and cost to the clients.

- Clearing Requirement. CEA Section 2(h)(1)(A) and part 50 of Commission regulations make it unlawful for any person to enter into a swap that is required to be cleared without submitting it to a DCO. The Service Providers seek staff no-action on behalf of the participants to Optimization Services exercises (1) with regard to uncleared swaps previously entered into that were not required to be cleared at the time of such swaps' original execution pursuant to CEA Section 2(h)(1)(A) and amended as a result of Optimization Services; and (2) with regard to new swaps entered into as a result of the operation of Optimization Services. The Service Providers contend that Optimization Services will not be used to move risk from a cleared environment to an uncleared environment, and PTRRS Transactions will not be entered into for the purpose of evading the swap clearing requirement.

- Trade Execution Requirement. On behalf of the participants to Optimization Services exercises, the Service Providers seek staff no-action from the requirement under CEA Section 2(h)(a)(8) that any PTRRS Transactions subject to a swap clearing requirement be executed on a DCM, SEF, or exempt SEF because the benefits of such a trade execution requirement are not relevant to PTRRS. The Service Providers argue the reasons for executing the risk-reducing PTRRS Transactions on a trading platform—price transparency and price discovery—are not relevant in this context. They argue that there are no bids or offers, there is no increased price transparency or price discovery, and there is no price negotiation. In sum, Service Providers argue that there is no benefit to PTRRS Transactions being executed on a DCM, SEF, or exempt SEF when such an execution would be only an administrative or operational "check-the-box" procedure with attendant increased costs and delays in execution.[36]

[36] The Service Providers noted that in March 2023, Commission staff granted time-limited no-action from the CEA's trade execution requirement with respect to certain transactions executed as part of post-trade risk reduction exercises to facilitate the closure of ICE Clear Europe Ltd.'s credit default swap clearing operation and the migration of open credit default swap positions from that DCO to an affiliated DCO, ICE Clear Credit LLC. *See No-Action Position to Facilitate the Migration of Credit Default Swaps from ICE Clear Europe*, CFTC Letter No. 23-05 (March 30, 2023). In CFTC Letter No. 23-05, Commission staff acknowledged that for transactions resulting from a post-trade risk reduction exercise to be market risk neutral, such transactions must be executed at a pre-

- Real-Time Public Reporting. On behalf of the participants in Optimization Services exercises, the Service Providers seek staff no-action for failure to comply with the Commission's real-time public reporting requirements in part 43 of the Commissions regulations with respect to PTRRS Transactions. See further discussion below.

B. General Conditions Discussion

In seeking a staff no-action position from Commission regulations, the Service Providers argue they and their participants should be expected to comply with the conditions put in place by Commission staff for multilateral portfolio compression in the 2013 Portfolio Compression Clearing No-Action Letter, with certain modifications. However, the 2013 staff letter applied only to legacy swaps and limited the terms of the swaps that could be generated by compression, whereas the Optimization Services operate by preserving the existing portfolio of swaps while adding new swaps that offset or eliminate risk in the existing portfolio.

With this new request, the Service Providers state that there would not be any change in a participant's overall market risk. However, the transfer of credit risk and the minimization of basis risk may involve parties entering into new swaps to reduce or eliminate existing counterparty and basis risk. These new swaps would not benefit from any exemption under Commission regulations or no-action position permitted by existing staff no-action letter.[37] Nonetheless, the Service Providers believe that the benefits provided by the Optimization Services justify a no-action position from the swap clearing requirement, trade execution requirement, and real-time reporting requirement, subject to the conditions set forth below.

According to the Service Providers, staff should apply the following conditions to the Optimization Services and resulting PTRRS Transactions:

1. Market Risk Neutral. Exercises in connection with PTRRS are designed not to change the directional market risk of a portfolio in any material way.

2. Risk Reducing. Exercises in connection with PTRRS are intended to reduce one or more risks, other than market risk, such as operational, counterparty credit, or basis risks, and in doing so, they should reduce systemic risk.

3. No Reduction in Clearing. In no case may PTRRS be used to move risk from a cleared environment to an uncleared environment. PTRRS Transactions will not be entered into for the purpose of evading the swap clearing requirements under the CEA and the

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determined price "which is not possible if market participants are required to execute their transactions on a SEF via the required methods of execution." *See id.* at page 3 (citation omitted).

[37] For example, under the Portfolio Compression Clearing No-Action Letter, the amended or replacement swaps generated by the portfolio compression exercise must have the same material terms as the original swap apart from reducing the notional amount of the original swaps. Only legacy swaps (meaning those entered into prior to a compliance date for required clearing) are eligible for the staff no-action position in that letter. *See Portfolio Compression Clearing No-Action Letter* at pages 1, 5.

Commission's regulations, including by extending legacy status to PTRRS Transactions so that they are not subject to such swap clearing requirements.

4. Non-Price Forming. Any PTRRS Transactions executed pursuant to the run of a PTRRS exercise must be executed based on a pre-identified price, with no possibility for negotiation.

5. Transactions Proposed. All PTRRS Transactions must be proposed through the operation of a PTRRS exercise.

6. No Partial Selection. All PTRRS Transactions must be accepted by the participants to the PTRRS exercise or none of the PTRRS Transactions will go forward. PTRRS Transactions are provided by a third-party Service Provider based on non-discretionary rules that are set in advance by the third-party Service Provider under specified parameters and result in PTRRS Transactions binding all the participants on an all-or-nothing basis.

7. Disinterested Service Providers. Neither the Service Providers, nor their affiliates, may be counterparties to any PTRRS Transactions identified by their respective service.

8. Regulation and Recordkeeping. The Service Providers offering PTRRS to U.S. participants are and will be (i) registered with the Commission as introducing brokers and (ii) members of the National Futures Association ("**NFA**"). As such, they are subject to all relevant Commission and NFA Rules relating to their businesses as introducing brokers, including those relating to recordkeeping, so that the Commission has full access to all information as to any PTRRS exercises.

V. Staff No-Action Discussion and Position

A. PTRRS Service Providers Registration Status

With respect to the Service Providers' offering of PTRRS, the Service Providers believe that the relevant CFTC and NFA registration category should be that of "introducing broker," as defined in CEA Section 1a(31) and part 1 of the Commission's regulations. As described, the Service Providers offer their participants services to identify risk-reduction opportunities in their swap portfolios, but those opportunities, if accepted, are entered into between and among the participants themselves.

In this letter, staff are not opining on the Service Providers' decision regarding their choice of registration status except insofar as staff is providing a no-action position from the requirement to register as SEF. Specially, staff will not recommend that an enforcement action be taken against a Service Provider for failure to register as a SEF solely to the extent any such Service Provider would be required to register as a SEF by operating an Optimization Service.

With respect to the "introducing broker" registration category, CEA Section 1a(31) defines the term "introducing broker" to mean, in relevant part, "any person (except an individual who elects to be and is registered as an associated person of a futures commission merchant)—(i) who…is engaged in soliciting or in accepting orders for…the purchase or sale of

any…swap…[and] does not accept any money, securities, or property (or extend credit in lieu thereof) to margin, guarantee, or secure any trades or contracts that result or may result therefrom." As the Service Providers' offering of PTRRS as part of Optimization Services involves the solicitation and arranging of the execution of swaps, the Service Providers acknowledge that such activity falls within the scope of the definition of "introducing broker" under the CEA.

Accordingly, each of the Service Providers is registered with the CFTC as an introducing broker and is subject to compliance with CFTC regulations and NFA rules applicable to introducing brokers. Commission staff confirm the Service Providers' representation that none of the three has been the subject of any reported disciplinary or remedial action taken by either the CFTC or the NFA as of the date of this letter.

B. Clearing and Trade Execution Requirements

Section 2(h) of the CEA makes it unlawful for any person to engage in a swap that is required to be cleared unless the swap is submitted to a DCO for clearing. This requirement does not apply to swaps that were entered into prior to the applicable compliance date for the class of swaps subject to required clearing under Commission regulation 50.4(a) or (b), *i.e.*, legacy swaps. These compliance dates are set forth under subpart B of part 50 of Commission regulations.

Service Providers state that the potential imposition of a swap clearing requirement with respect to PTRRS Transactions discourages the use of PTRRS by market participants. As noted above, the Commission staff recognized this issue in the 2013 Portfolio Compression Clearing No-Action Letter in which staff stated that "requiring amended swaps or replacement swaps resulting from a compression exercise to be cleared would alter the credit risk profile for those participating in the compression exercise because counterparties to the amended or replacement swaps would be required to face [DCO] instead of the original bilateral counterparty."[38] This would ultimately result in market participants "reconsider[ing] their participation in these industry-wide risk reduction exercises," "discourage participation in compression exercises[,] and inhibit the risk reduction benefits that such exercises provide."[39]

New swaps that are generated by the Optimization Services and fall within a class of interest rate or credit default swaps that are required to be cleared under Commission regulations 50.4(a) and (b) would be required to be cleared in the absence of a no-action position. As staff recognized in 2013 with regard to portfolio compression, if the PTRRS service is limited according to certain conditions, it may serve a useful market function. Under the conditions of this letter, no cleared swaps will be converted through use of an Optimization Service into uncleared swaps, and Optimization Services will not be used as a means of evading the Commission's swap clearing requirement.

With regard to trade execution, CEA Section 2(h)(8)(A) requires that any transaction subject to the swap clearing requirement and made available to trade is also subject to the

[38] *Portfolio Compression Clearing No-Action Letter* at page 3.

[39] *Id.*

requirement that it be executed on a DCM, SEF or exempt SEF. To the extent that the swap clearing requirement does not apply to PTRRS Transactions, it follows that such transactions are not required to be executed on a trading platform.[40]

Staff further recognizes that authorities in three non-U.S. jurisdictions have provided for the use of PTRRS through their own statutes and rules. The swaps market remains a global marketplace, and it is useful to U.S. market participants not to face disparate treatment for their swap portfolios in different jurisdictions.

C. Real-Time Public Reporting Under Part 43

As discussed above, the Service Providers seek staff no-action for failure to comply with the Commission's real-time public reporting requirements with respect to swaps resulting from runs of the Optimization Services. In support of this argument the Service Providers state that public dissemination of transactions resulting from runs of the Optimization Services would not be helpful to the public and, specifically, does not serve the real-time reporting requirements' policy purpose of price discovery because such transactions say nothing about the direction of the market., and information which was available to the public at the time that it actually reflected market prices is now stale and thus not helpful to public investors.

Staff note that the public dissemination of PTRR services was addressed by the Commission in its part 43 final rulemaking in 2020.[41] In its Part 43 Final Rule, the Commission stated its view that to "the extent any such risk reduction exercises serve the same purposes as portfolio compression exercises" then "the resulting new or amended swaps from the exercise would not be deemed publicly reportable swaps."[42] In that discussion, the Commission described the conditions under which such risk reduction exercises would not fall within the definition of publicly reportable swap transaction.[43] Specifically, the Commission stated that "the sole purpose of such risk reduction exercises, like portfolio compression exercises, must be to mitigate risk by replacing or changing swaps that have already been publicly reported, if the original swaps were publicly reportable swap transactions. In addition, the resulting new or amended swaps must be entered into between the same counterparties as the original swap(s) that is amended or terminated, and the risk reduction exercises must be market risk neutral and performed by automated systems of third-party service providers."[44]

Staff reiterates that if the Optimization Services meet the description set out in the part 43 Final Rule then transactions resulting from such services will not be subject to the real-time

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[40] *See, e.g.*, Commission regulation § 36.1(b).

[41] Final Rule, *Real-Time Public Reporting Requirements*, 85 Fed. Reg. 75422, 75426 (Nov. 25, 2020) ("**Part 43 Final Rule**").

[42] *Id.*

[43] *Id*.

[44] *Id*.

public reporting and dissemination requirements in part 43 as they would not fall within the definition of a publicly reportable swap transaction.

D. Divisions' No-Action Positions

Based on the facts presented and the representations of the Service Providers, the Divisions have determined that a time-limited, no-action position is warranted. Accordingly, until the earlier of such time as the Commission promulgates rules addressing the Optimization Services and/or PTRRS Transactions resulting therefrom or December 31, 2028, the Divisions will not recommend that the Commission commence an enforcement action against:

(1) A Service Provider for failure to register as a SEF solely to the extent any such Service Provider would be required to register as a SEF as a result of operating an Optimization Service;

(2) Any person for failure to enter into a PTRRS Transaction on a DCM, a SEF, or an exempt SEF pursuant to the trade execution requirement under the CEA Section 2(h)(8) and part 36 of the Commission's regulations; or

(3) Any person who enters into a PTRRS Transaction that is required to be cleared and fails to submit such swap to a DCO pursuant to CEA Section 2(h)(1) and part 50 of Commission regulations, provided that the PTRRS Transaction is not entered into for the purpose of evading the swap clearing requirement under CEA Section 2(h)(1)(A) and part 50 of Commission regulations.

Each of the no-action positions listed above are subject to the following conditions:

(A) **Market Risk Neutral**. Each PTRRS Transaction does not change the directional market risk of an Optimization Service participant portfolio in any material way.

(B) **Risk Reducing**. Each PTRRS Transaction must reduce one or more risks of the Optimization Service participant portfolio, which may be operational, counterparty credit, or basis risks.

(C) **No Reduction in Clearing**. No PTRRS Transaction may convert an Optimization Service participant's swaps or the risks of such swaps from a cleared to an uncleared status. No PTRRS Transaction may be entered into for the purpose of evading the swap clearing requirement under the CEA and the Commission's regulations, including by extending legacy status to any PTRRS Transaction so that they are not subject to the swap clearing requirement.

(D) **Non-Price Forming**. All PTRRS Transactions are executed based on a pre-existing price identified pursuant to the Optimization Service, with no possibility for negotiation.

(E) **Transactions Proposed**. All PTRRS Transactions must be proposed through the operation of an Optimization Service exercise.

(F) **No Partial Selection**. With respect to a particular Optimization Service run, all proposed PTRRS Transactions must be accepted by all of the participants or none of the PTRRS Transactions will be executed. All PTRRS Transactions will be proposed by an Optimization Service algorithm based on non-discretionary rules that are set in advance by a Service Provider under specified parameters resulting in PTRRS Transactions that must be accepted by all participants on an all-or-nothing basis.

(G) **Disinterested Service Providers**. Neither the Service Providers, nor their affiliates, may be counterparties to any PTRRS Transactions.

(H) **Regulation**. Any Service Provider offering Optimization Services must be (i) registered with the Commission as an introducing broker, and (ii) a member of NFA.

(I) **Recordkeeping**. A Service Provider relying on any no-action position provided in this letter must (i) make and maintain a record of each Optimization Service run and all relevant information concerning each PTRRS Transaction, and (ii) make such records open to inspection by any representative of the Commission or NFA upon request.

The Divisions confirm that the foregoing no-action positions supersede any prior no-action letters issued by any of the Divisions to the extent that those prior letters are inconsistent with the no-action positions set forth above.

This letter, and the positions taken herein, represent the views of the Divisions only, and do not necessarily represent the positions or views of the Commission or of any other office or division of the Commission. This letter and the no-action positions taken herein are not binding on the Commission.[45] Further, this letter, and the positions taken herein, are based upon the facts and circumstances presented to staff of the Divisions. Any different, changed or omitted material facts or circumstances might render the positions taken in this letter void. Except as explicitly provided in this letter, the no-action position taken in this letter does not excuse persons relying on it from compliance with any other applicable requirements contained in the Commodity Exchange Act or Commission regulation. Finally, as with all staff letters, the Divisions retain the authority to condition further, modify, suspend, terminate, or otherwise restrict the terms of the positions taken in their discretion.

[45] *See* 17 CFR 140.99(a)(2) ("A no-action letter binds only the issuing Division . . . and not the Commission or other Commission staff.").

Questions concerning this no-action letter may be directed to Sarah Josephson, Deputy Director, DCR, sjosephson@cftc.gov; Roger Smith, Associate Chief Counsel, DMO, rsmith@cftc.gov; Frank Fisanich, Deputy Director, MPD, ffisanich@cftc.gov, or Jake Chachkin, Associate Director, MPD, jchachkin@cftc.gov.

Sincerely,

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Richard Haynes
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Director
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cc: Capitolis Partners LLC, Quantile Technologies Limited, and TriOptima AB