Commissioner O'Malia's SEF Showcase:
Current Technology & Market Direction
March 31, 2011

Panel I: Discussion Around What Attributes are Necessary for a SEF to be Successful

Panel I Presenters.

- Better Markets, Inc. (Wallace Turbeville)
- BlackRock, Inc. (Superna Vedbrat)
- D.E. Shaw (Mike Hase)
- Electric Power Supply Association (Gary Germeroth)
- International Swaps Derivatives Association (Connie Volstad)
- Morgan Stanley (Dexter Senft)
- National Council of Farmer Cooperatives (Rob Huston)
- National Futures Association (Ed Dasso)
- PIMCO (William DeLeon)
- Tabb Group (Kevin McPartland)
- Tudor Investments (John MacFarlane)
- U.S. Steel Pension Fund (William Donovan)

Panel I Summary: Panel I featured a discussion by asset management funds, pension funds, end-users, swap market observers, dealers, and public interest groups. They discussed a wide range of topics from execution functionality to making the transition from OTC execution to regulated execution as smooth as possible. Some general themes were consistently discussed by the panelists, each of which is set forth below.

- The proposed rules need to be more flexible;
- SEFs by design and by statute must be different than DCMs;
- It is unnecessary to mandate a minimum of at least five (5) RFQ providers;
- The proposed rules did not give due consideration of their impact on liquidity;
- There is concern that larger traders could incur higher costs to execute on SEFs;
- The proposed rules did not properly account for the differences in spreads between the block market and the non-block market;
- The fifteen (15) second show rule could create unnecessary uncertainty and delays and it will not incentivize participants to place resting quotes on a SEF;
- Too much transparency could impair liquidity and lead to a wider bid/ask spread;
- Reduced liquidity could ultimately lead to higher transactions costs for the buy-side;
- The Dodd-Frank drafters did not envision that the Commission's rules would only allow RFQ and central limit order book platforms, voice execution was explicitly permitted because of the "any means of interstate commerce" language in the SEF definition;
- SEFs are likely to charge high transaction costs due to low volume & high regulatory compliance costs;
- There is concern over how will SEFs interconnect with DCOs and SDRs, and whether interconnection with other SEFs is required; and
- The SEF regulatory regime should be evolutionary not revolutionary.

Panel II: Presentation and Demonstration of the Functionality of Various Types of Execution Platforms

Panel II Presenters.

- BGC Partners, Inc. (Andrew Wels)
- Bloomberg, LP (Ben MacDonald)
- CME Group (Michel Everaert)
- Eris Exchange (Christopher Rodriquez and Mike Riddle)
- FXall, Inc. (Phil Weisberg)
- GFI Group, Inc. (Christopher Giancarlo)
- ICAP (Chris Ferreri)
- Intercontinental Exchange (Trabue Bland)
- Javelin Capital Markets, LLC (Jamie Cawley)
- MarketAxess (Richard McVey)
- Nodal Exchange (Paul Cusenza)
- ODEX (Raymond May)
- Parity Energy, Inc. (Charles Reyl)
- Tradeweb (Lee Olesky)
- Tradition North America, Inc. (Julian Harding)
- Trumarx (Jon Olson)
- Tullett Prebon (Shawn Bernardo)

Panel II Summary*:* Panel II featured seventeen (17) different execution platforms representing a range of asset classes, which included energy, interest rates, credit, and foreign currency. They demonstrated their functionality, discussed the Commission's rule proposal, and responded to the comments and concerns raised by the participants on Panel I.

Almost all of the panelists demonstrated execution platforms that are currently in operation and a few demonstrated systems that they are currently in development. Some panelists demonstrated that they already had the functionality to connect to FCMs, DCOs, and SDRs.

Panelists voiced their concerns with the proposed rules, many of which were similar to the concerns raised in Panel I. Additionally, panelists voiced concern (1) about the perceived high costs associated with regulatory compliance, (2) that some swaps are not liquid enough for electronic trading, and (3) about the central role that liquidity should play in determining what execution methods are permitted. Finally, a number of panelists stressed the need for the Commission to address both pre-trade and post-trade integrity and straight through processing.

Although there were certain concerns expressed about the proposed rules, many panelists who anticipated registering as SEFs explained that they could develop systems that would comply with any final rules issued by the Commission. However, many panelists stated that the focus of the Commission's rules should be to incentivize market participants to execute swaps electronically.