October 20, 2010

Securities & Exchange Commission
100 F Street, NE
Washington, DC 20549-1090

Commodities Futures Trading Commission
3 Lafayette Centre, 1151 21st Street, NW
Washington, DC 20581

File No. 4-611

Re: Regulatory rule writing regarding Sec 727 and Sec 763 entitled "Public reporting of Swap Transaction Data" and with specific regard to Block Trade exemptions.

Dear Chairman Gensler and Chairwoman Shapiro:

Javelin Capital Markets, an electronic trading venue of OTC derivatives, appreciates the opportunity to comment on the SEC's and CFTC's rulemaking process with respect to the *Dodd Frank Act* requirement for public reporting of swaps and security-based swap transaction data as specified in Sec 727 and Sec 763.

Javelin Capital Markets provides an electronic trading venue for Interest Rate Swaps and Credit Default Swaps. We are very familiar with the $400 Trillion IRS and $30 Trillion CDS markets and the technology which is currently available for trading, clearing and reporting of these contracts. Javelin will most likely become a Swap Execution Facility and/or a Security-based Swap Execution Facility once the Commissions have promulgated rules for such entities. We know and understand where the liquidity is in the different maturities of the IRS and CDS markets. Our recommendations below on what constitutes a "round lot" and what should be considered to be a "block trade" in a particular IRS or CDS contract maturity is based on our market experience.

Specifically, the CFTC and SEC should be mindful to enforce the Act's requirement that all swap and security-based swap transactions shall be reported real time, with real-time being that which is technologically practicable. Congress specifically addressed large notional or block trades in swaps and security-based swaps and the type of public reporting which is expected. Block trades in swaps and security-based swaps are provided with some limited time delay in public reporting. There are at least 2 important determinations which the CFTC and SEC need to make related to block trades. First, what size transaction qualifies as a block trade? There is some legislative history from Chairman Lincoln on this issue which the Commissions should follow. Such a block trade exemption should be considered on simple objective metrics that can be drawn from current market practice and the experience from other similar markets. Second, how long should the block trade reporting delay be? Again, there is legislative history from Chairman Lincoln on this issue which the Commissions should follow. In any event, the time delay for block trades should be as short as possible and in no event more than 10 minutes.

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Dodd Frank Act: Public Reporting of Swap Transaction Data
Section 727 and Section 763 entitled "Public reporting of Swap Transaction Data" is clear. It requires that all swaps and security-based swaps, must be reported to the public "as soon as technologically practicable" for the purposes of market transparency, with an exemption for block trades.

Majority of Trades Should be Real Time
Congress knew that there are large notional and/or "block trades" in the swaps market, just like there are block trades in both the securities and futures markets. Congress made it clear that the Commissions should define block trades as trades which are very large and which would move the market. Further, Congress was aware of the fact that what constitutes a block trade will vary based on the asset class, the contract maturity and other factors.

The vast majority of interest rate and credit default swap trades that occur today are standard size trades and not block trades. In addition, the technology has long existed that such trades can be reported on a real time basis as these trades occur. Real time transaction reporting should be measured in milliseconds because that is what is "technologically practicable." Trading firms today routinely meet real time trade requirements (in milliseconds) in other markets such as the securities and futures markets.

Trading counterparties and Swap Execution Facilities (SEF's) should therefore be required *to post all non block trades immediately* where instrument, price, size and time of trade are disclosed. Given today's advances in technology, only such a real time reporting requirement is truly compliant with the Act and meet the public's need for greater price discovery and transparency.

Same Reporting Requirement for all SEF's
Regulators should have one trade reporting requirement for all SEF's regardless of SEF execution method. Is has been suggested that voice/hybrid execution systems should be allowed a longer or slower trade reporting time window over their electronic competitors.

Firstly, such a bifurcated requirement could result in conflicting sets of data which would result in an inaccurate trade tape confusing the market and regulator alike. It would clearly make price discovery more difficult. Such confusion could become more accentuated in times of market crisis and volatility just as the market needs transparency most.

Secondly, such a bifurcation might also create a 'race to the slowest' among SEF's as certain market participants, seeking to shroud their trading, favor slower reporting SEF's with their business over more efficient and transparent counterparts. Thus, the regulators should specify that all counterparties, regardless of execution method should conform to one universal trade time reporting standard.

Block Trading Exemptions: What should the Time Delay be?
The Act correctly recognizes that for large or 'block' trades a certain tension exists between the market need for information and the need for market participants quoting large trade size to have sufficient time to trade out of that position. The notion is simple, such a trader should be encouraged to do larger trades, thus adding liquidity to the market, but should be temporarily shielded from reporting the trade so that they are not unfairly put at risk.

Regulators should be mindful that a block trading exemption should never be a method through which market participants under report or fail to report a trade completely. The same information: instrument, price, size and time of trade should still be disclosed, albeit with a time delay to the market.

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In no circumstance should the Commissions adopt the TRACE approach of merely reporting in block trade situations that a transaction above a certain dollar size has been done. The statute requires reporting on price and volume. Congress was aware of the TRACE system but chose real time price reporting. The Commissions should not adopt the lower transparency standard of TRACE.

Some have argued that such a time delay should be measured in days, weeks and even months. We strongly believe that such a time delay should be objectively measured in minutes, if not milliseconds. It should moreover vary upon the instrument type and its typical liquidity. Regulators should also look to time delay examples in other markets such as euro/dollar swaps and oil swaps.

Block Trading Exemptions: How big is a Block Trade?

Only very few trades in any market are block trades. We believe that any block trade size threshold should be based upon an *objective but consistent measure* –and importantly should be many multiples larger than a standard 'round lot' trade size in any given market.

A straight forward 'multiples' approach could be simply 10 or 20 times the standard trade size. Such is the case with the similarly traded US Treasury futures market where the CBOT has adopted a simple notional threshold of 5,000 contracts or 500MM cash equivalent for the following contracts: 2 year, 3 year, 5 year & 10 year. For 30 year contracts, the CBOT specifies a lower 3,000 contracts or 300MM cash equivalent as the block trade threshold.

Interestingly enough for the contract that is arguably the closest to resemble an interest rate swap— the 2 year Eurodollar bundle the threshold is 1,000 contracts.

A second approach is to set the block trade threshold as a function of risk per basis point or 'DV01' for a particular swap. For example a block trade could mean all trades with a DVO1 greater than $500,000. Thus the block trade size notional is larger for a two years swap (smaller risk and DVO1) but smaller for a 30 year interest rate swap (larger risk and DVO1).

Current market practice in IRS today recognizes such a DV01 approach for standard size trades. For block trade thresholds for interest rate swaps, we believe that the approach should be consistent with market practice and should be a DVO1 approach.

Furthermore, the DVO1 for the block trade threshold should be consistent, for now, across all maturities and should match the DVO1 of the block trade threshold of the 2yr Eurodollar bundle; $200,000.

For credit default swaps where multiple credit curves exist, it should be simply 10x the market's standard size trade. Please see below table for suggested block size considerations.

Markets & Suggested Block Trade Size (Multiples & DVO1 Approach)

IR Swap	Standard Size	Block Size (10x)	Block Size (20x)	Block Size (DVO1 @ 200T)
IRS 2YR	200	2,000	4,000	1,111
IRS 3YR	150	1,500	3,000	714
IRS 5YR	100	1,000	2,000	411
IRS 7YR	75	750	1,500	308
IRS 10YR	50	500	1,000	235
IRS 30YR	20	200	400	148

Credit Swap	Standard Size	Block Size (10x)	Block Size (20x)
CDS 5YR (IG)	5	50	100
CDS 5YR (HY)	2	20	40
Index IG	50	500	1,000
Index HY	10	100	200

Conclusion

The Dodd Frank Act calls for the real time reporting of swaps and security-based swaps. With one qualified exemption ('block trades'), this means all eligible interest rate and credit default swaps trades that trade in standard size lots. For block trades, certain objective standards drawing from current market practice can be set whereby the tension between market place and those who trade in it can be balanced such that greater price transparency is not only encouraged but assured.

Thank you for the opportunity to comment during this period. We welcome any further discussion with you, other regulators, the government or any other market participants regarding these crucial issues.

Please see attached *Congressional Record* for Sen. Lincoln comments from 7/15/2010 re Block Trading intentions.

Sincerely,

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