

# H.R. 2586

## SWAP EXECUTION FACILITY CLARIFICATION ACT

Sponsored by Reps. Scott Garrett and Carolyn Maloney

### Summary:

Ensures Swap Execution Facilities (SEFs) can evolve naturally towards the best mode of swap execution without imposing undue costs on market participants.

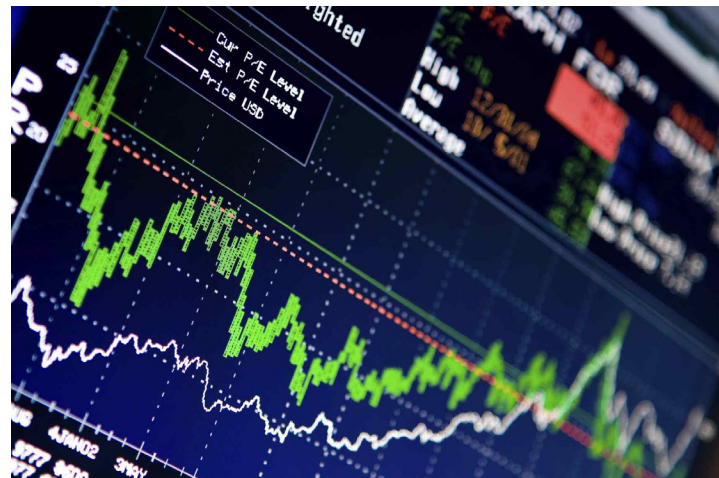
### Why:

The Dodd-Frank Act requires that swaps required to be cleared must also submit to be traded on exchanges known as Swap Execution Facilities (SEFs).

While geared toward enhancing transparency and improving pricing for market participants, the CFTC has proposed an overly restrictive approach that will have the unintended effect of increasing transaction costs.

H.R. 2586 will:

- Prohibit regulators from requiring a minimum number of participants to receive or respond to quote requests.
- Prohibit regulators from limiting means of interstate commerce. Including voice-only transactions.
- Prohibit regulators from requiring SEFs to delay quotes for a specific period of time.



### SEF Proposals:

The CFTC has proposed a rule to require participants trading through SEFs to submit a Request for Quote (RFQ) to at least 5 other market participants. RFQs allow customers to request bids from only certain market participants. The Securities Exchange Commission (SEC) is permitting RFQs to only 1 or more market participants.

The CFTC's proposal will reduce liquidity in swaps markets by requiring that market participants expose their trading strategies ahead of execution. This gives others in the market a chance to front-run the trade.

Additionally, the CFTC has proposed to limit "voice-only" transactions, which occur by phone before they are entered electronically.

Lastly, both the CFTC and SEC are requiring that bids and offers be displayed for a minimum amount of time before execution.