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March 2, 2020

*Submitted electronically to*  
<https://comments.cftc.gov>

Mr. Christopher Kirkpatrick, Secretary  
Commodity Futures Trading Commission  
1155 21st Street, NW  
Washington, D.C. 20581

**Re: Post-Trade Name Give-Up on Swap Execution Facilities (RIN 3038-AE79)**

Dear Mr. Kirkpatrick:

Vanguard<sup>1</sup> appreciates the opportunity to provide our comments to the Commodity Futures Trading Commission (the “**Commission**”) on its recent proposal to prohibit “Post-Trade Name Give-Up” practices related to trading on Swap Execution Facilities (“**SEFs**”) (the “**Proposal**”).<sup>2</sup>

As a part of prudent management, Vanguard funds enter into derivatives contracts, including swaps and futures, to achieve a number of benefits for our investors, including hedging portfolio risk, lowering transaction costs, managing cash, and achieving more favorable execution compared with traditional investments. Vanguard has been fully supportive of global derivatives regulatory reform, including the mandate of the derivatives title of the Dodd-Frank Wall Street Reform and Consumer Protection Act, to bring much-needed transparency and regulation to the derivatives markets, including subjecting derivatives to regulatory oversight and requiring the reporting, margining, and central clearing of standardized swaps, and exchange-trading of the most liquid standardized swaps.

Vanguard, along with many other asset managers, benefits from the ability to trade on SEFs, and these benefits are attributable to the Commission’s current SEF regulations, which have advanced improvements in liquidity, price transparency, expanded competition, and trade efficiency.<sup>3</sup> In our letter dated March 15, 2019, we confirmed our agreement with and support for the Commission’s efforts to address certain aspects of the current SEF regulations in order to encourage the innovation and growth of these trading platforms and markets.

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<sup>1</sup> Vanguard is a global asset manager that offers about 400 funds with aggregate assets of approximately \$5 trillion.

<sup>2</sup> Post-Trade Name Give-Up on Swap Execution Facilities, 84 Fed. Reg. 72262 (December 31, 2019), available at <https://www.cftc.gov/sites/default/files/2019/12/2019-27895a.pdf>.

<sup>3</sup> Core Principles and Other Requirements for Swaps Execution Facilities, 78 Fed. Reg. 33476 (June 3, 2013).

A summary of our comments in the March 15, 2019 comment letter is as follows:

- **Codify the current guidance that SEFs provide impartial access to their markets and services.** Impartial access benefits market participants through enhanced competition and transparent pricing, and is instrumental in establishing deep non-fragmented pools of liquidity.
- **The trading mandate should be reserved for swaps that meet minimum requirements.** Only cleared swaps that demonstrate deep on-SEF liquidity are suitable for the trading mandate and the CFTC should implement a holistic approach to assessing such liquidity.
- **Expansion of the methods for execution must meet minimum standards.** While expanded methods are welcome, the CFTC must ensure they foster price transparency, enhance liquidity and support impartial access.
- **The proposed definition of the term “market participant” should be adopted.** We welcome the new definition as it confirms our funds’ investors are not participants as they do not execute or direct activity on a SEF.
- **Off-SEF, pre-arranged trading of block trades must be maintained.** It is appropriate to allow off-SEF trading of blocks as the SEF does not provide adequate liquidity for size and use of the SEF mechanics could compromise the pricing of such large positions.
- **Pre-execution, off-SEF communications between clients and dealers must be maintained.** The CFTC must avoid restraint of vital communications which provide market color and facilitate the development of trading strategies.
- **Codify the current guidance on Straight-Through-Processing.** Current guidance has functioned well during the past five years in addressing operational, credit and market risk.
- **Post-trade name give-up for anonymously traded cleared swaps should be prohibited.** Name give-up for cleared swaps is unnecessary and risks information leakage as to participants’ positions, strategies, and other sensitive information.
- **Package transactions should be permitted to be executed off-SEF.** The coupling of mandated and non-mandated products must be protected and such packages should be exempt from SEF trading until all components are capable of SEF trading.

Post-trade name give-up is a long-standing and necessary practice for uncleared swaps that are anonymously executed. This is due to the fact that each party to the transaction has ongoing obligations to, and is exposed to the credit risk of, the other party for the duration of the swap.

In the cleared swaps market, however, these ongoing obligations and risks no longer exist once a trade is accepted by a derivatives clearing organization (“DCO”) for clearing, as both parties now face the DCO. Vanguard recommends that the Commission prohibit post-trade name give-up for cleared swaps, and believes the practice results in harmful information leakage, exposing market participants’ positions, strategies, objectives, trading practices, and other sensitive information. Moreover, Vanguard believes that by prohibiting the practice of post-trade name give-up, there would be a positive effect on liquidity as buy-side traders would be more likely to participate in SEF trading, including on venues that offer central limit order book trading.

While some may state that post-trade name give-up is desirable as without it, dealers may be disincentivized from trading without the information otherwise provided, Vanguard firmly believes this to be a spurious argument. It is inappropriate to argue for an unfair advantage in rulemaking, and Vanguard actually believes that anonymous markets actually increase competition in contrast to markets where a few dominant dealers succeed by leveraging harmful information leakage.

As such, Vanguard respectfully requests that the Commission prohibit post-trade name give-up for anonymously traded cleared swaps.

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We appreciate the opportunity to comment on the Commission's Proposal. If you have any questions about Vanguard's comments or would like any additional information, please contact William C. Thum, Principal, at (610) 503-9823 or [william\\_thum@vanguard.com](mailto:william_thum@vanguard.com).

Sincerely,

/s/ Gregory Davis  
Managing Director  
and Chief Investment Officer  
Vanguard

/s/ Joseph Brennan  
Managing Director  
and Chief Risk Officer  
Vanguard

cc: The Honorable Heath P. Tarbert  
The Honorable Brian D. Quintenz  
The Honorable Rostin Behnam  
The Honorable Dawn DeBerry Stump  
The Honorable Dan M. Berkovitz

Dorothy DeWitt, Director, Division of Market Oversight  
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Commodity Futures Trading Commission