

## Statement

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# Statement on Registration of Security-Based Swap Execution Facilities



**Chair Gary Gensler**

**April 6, 2022**

Today, the Commission is considering a proposal to create a framework for the registration of security-based swap execution facilities (security-based SEFs). I am pleased to support this proposal because, if adopted, it would increase the transparency and integrity of the traditionally opaque over-the-counter security-based swap market, fulfilling a mandate under the Dodd-Frank Act of 2010 to register and regulate the platforms that trade these instruments.

The 2008 financial crisis had many chapters, but a form of security-based swaps — credit default swaps — played a lead role throughout the story. Thus, as part of the Dodd-Frank Act, Congress granted this agency broad authority to regulate security-based swaps, including the mandate we're acting upon here today.

Today's proposal would do two key things. First, it would create a framework for the registration of security-based SEFs, based upon the 14 core principles for these entities spelled out in the Dodd-Frank Act. This framework would harmonize with the SEF framework promulgated by our sibling agency, the Commodity Futures Trading Commission (CFTC).

The SEC originally proposed rules for security-based SEFs in 2011. Subsequently, the CFTC put its rules in place. We've heard over the years that the CFTC's framework is working well. In fact, Bank of England economists found that that regime saves end users millions of dollars per day.<sup>[1]</sup>

The proposal being considered today closely harmonizes with the CFTC's framework and withdraws the SEC's earlier proposals. I believe aligning the SEC's regime with the CFTC's could garner many of the same benefits — bringing together buyers and sellers with transparent, pre-trade pricing, lowering risk in the marketplace, and protecting investors.

Most participants in the security-based swap market also participate in the swap market that the CFTC oversees. We expect that the entities that will register as security-based SEFs also are registered as SEFs with the CFTC. This would facilitate efficiencies for and minimize the new burdens on market participants through a framework with which they already comply.

Second, the proposal would partially implement Section 765 of the Dodd-Frank Act, which mandated that the Commission promulgate rules designed to mitigate conflicts of interest at security-based SEFs, security-based swap exchanges, and security-based swap clearing agencies. Today's proposal, which would implement the portion of this mandate related to security-based SEFs and exchanges, is designed to promote competition and market integrity.

Further, I have asked staff to make a proposal for the Commission's consideration around conflicts of interest and other governance principles at security-based swap clearing agencies.

Today's proposal builds upon our existing efforts to strengthen transparency and integrity in the security-based swap market. In November, registration applications from security-based swap dealers were due with the Commission, and market participants started reporting post-trade transaction data to data repositories. In December, the Commission proposed a suite of three rules to require public reporting of certain information relating to large security-based swap positions and to strengthen integrity in this market.<sup>[2]</sup> Public dissemination of individual transactions began in February.<sup>[3]</sup>

I'm pleased to support today's proposals and, subject to Commission approval, look forward to the public's feedback. I'd like to extend my gratitude to the members of the SEC staff who worked on this rule, including:

- Michael Gaw, David Liu, Leah Mesfin, Michou Nguyen, Geoff Pemble, Mark Sater, Ira Brandriss, Josh Kans, Matt Lee, Carol McGee, Jeff Mooney, Roni Bergoffen, Josh Nimmo, and Meredith MacVicar in the Division of Trading and Markets;
- Y.C. Loon, P.J. Hamidi, Andrew Glickman, and Anne Yang in the Division of Economic Risk and Analysis; and
- Meredith Mitchell, Malou Huth, Robert Teply, Donna Chambers, Will Miller, Benjamin Schiffrin, Dominick Freda, Rachel McKenzie, and Melinda Hardy in the Office of the General Counsel.

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<sup>[1]</sup> See Evangelos Benos, Richard G. Payne, and Michalis Vasios, "Centralized Trading, Transparency and Interest Rate Swap Market Liquidity: Evidence from the Implementation of the Dodd-Frank Act" (Journal of Financial and Quantitative Analysis, Vol. 55, No. 1, Feb. 2020, p. 159-192).

<sup>[2]</sup> See Gary Gensler, "Statement on Exchange Act 10B and Rule 9j-1" (Dec. 15, 2021), *available at* <https://www.sec.gov/news/statement/gensler-10b-rule-9j-1-20211215>

<sup>[3]</sup> See Gary Gensler, "Statement on Public Dissemination of Security-Based Swap Transactions" (Feb. 16, 2022), *available at* <https://www.sec.gov/news/statement/gensler-public-dissemination-sbs-transactions-202202>