

Securities and Exchange Commission
100 F Street, N.E.
Washington, DC 20549-1090
United States

Chris Barnard

12 February 2011

- File No. S7-06-11
- Registration and Regulation of Security-Based Swap Execution Facilities

Dear Sir.

Thank you for giving us the opportunity to comment on your proposed rule / proposed interpretation: Registration and Regulation of Security-Based Swap Execution Facilities.

In accordance with Section 763 of Title VII of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (Dodd-Frank), you are proposing Regulation SB SEF under the Securities Exchange Act of 1934 that is designed to create a registration framework for security-based swap execution facilities (SB SEFs); establish rules with respect to Dodd-Frank's requirement that a SB SEF must comply with the fourteen enumerated core principles and enforce compliance with those principles; and implement a process for a SB SEF to submit to the SEC proposed changes to the SB SEF's rules. The SEC is also proposing an interpretation of the definition of "security-based swap execution facility" set forth in Section 3(a)(77) of the Exchange Act to provide guidance on the characteristics of those systems or platforms that would satisfy the statutory definition. In addition, the SEC is proposing to amend Rule 3a-1 under the Exchange Act to exempt a registered SB SEF from the Exchange Act's definition of "exchange" and to add Rule 15a-12 under the Exchange Act to exempt, subject to certain conditions, a registered SB SEF from regulation as a broker pursuant to Section 15(b) of the Exchange Act.

I generally support the proposals, in particular the interpretation of the definition of SB SEF to mean a system or platform that allows more than one participant to interact with the trading interest of more than one other participant on that system or platform¹.

¹ The "multiple participant to multiple participant" requirement in the definition of SB SEF under Section 3(a)(77) of the Exchange Act.

Indications of interest

Concerning indications of interest (IOIs), I would argue that IOIs are reasonably used to provide liquidity, aid order matching, and when advertising large-scale liquidity to potential counterparties. However, the information contained in IOIs is not available to the transparent market and potentially impedes the price discovery process here. I would argue that there is a trade-off between transparency and liquidity here, and it is important to find the right balance between the two. In my opinion traditional IOIs do not create any information asymmetry and are therefore reasonable, whereas actionable IOIs are used primarily to provide information to a selected group of market participants, thus creating the potential for two-tiered access to information, and that this justifies additional consideration.

Yours faithfully

Chris Barnard