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Survey of Buy-Side Market Participants Shows Concern over CFTC's SEF Proposal

Washington, DC, March 1, 2013—The buy-side members of SIFMA, the International Swaps and Derivatives Association (ISDA) and with participation of the Managed Funds Association (MFA) today released summary of results from a member survey where over 84 percent of respondents indicated that the five request for quotes (RFQ) rule proposed by the Commodity Futures Trading Commission (CFTC) would result in increased transaction costs.

Additionally, nearly 70 percent of respondents indicated they would migrate to other markets if required to post five RFQs.

The survey was conducted in an effort to provide further information to the CFTC as it moves toward adoption of a final Swap Execution Facility (SEF) rule. The survey was sent only to buy-side members of the associations; no dealers participated.

"We continue to believe that only one request for quote is sufficient, which is how the SEC has constructed their rule," said Timothy W. Cameron, managing director and head of SIFMA's Asset Management Group. "The CFTC's proposed rule is too restrictive of a requirement, which would remove discretion from the asset managers--who are in the best position to decide what number of providers to go out to for any particular trade--and impair liquidity in these products. In the end, it would be Main Street retail investors in funds and pension plans that would be hurt by this rule."

"Buy-side market participants are concerned that the SEF rules might increase costs and reduce the availability of tools that they need to risk manage their investment portfolios," said Robert Pickel, ISDA Chief Executive Officer. "This can have adverse consequences to the individual and institutional clients of these firms."

"The survey results strongly argue for the CFTC to amend their proposal and permit the sophisticated investors that participate in these markets to send a quote request to as few as one recipient, allowing those investors to rely on their own, extensive expertise and experience with these transactions," said Stuart Kaswell, General Counsel, Managed Funds Association.

Other highlights of the survey include:

- 87 percent said that their transactional costs would increase and 76 percent anticipated other increased costs (e.g. new legal arrangements) when asked how the rule would affect swaps traded on SEFs;

- 84 percent of respondents said that when their firm limits the number of bids it is because of concerns over exposing their investment strategy to market participants who could use the information to the disadvantage of the buy-side firm's clients;
- 76 percent indicated it would have a negative effect on liquidity; and
- 68 percent of participants said they would look to trade an instrument that is not required to be SEF-traded.

The full survey results can be found at the following link: http://bit.ly/ZPC84G

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SIFMA:
The Securities Industry and Financial Markets Association (SIFMA) brings together the shared interests of hundreds of securities firms, banks and asset managers. SIFMA's mission is to support a strong financial industry, investor opportunity, capital formation, job creation and economic growth, while building trust and confidence in the financial markets. SIFMA, with offices in New York and Washington, D.C., is the U.S. regional member of the Global Financial Markets Association (GFMA). For more information, visit http://www.sifma.org.

ISDA:
Since 1985, ISDA has worked to make the global over-the-counter (OTC) derivatives markets safer and more efficient. Today, ISDA has over 800 member institutions from 60 countries. These members include a broad range of OTC derivatives market participants including corporations, investment managers, government and supranational entities, insurance companies, energy and commodities firms, and international and regional banks. In addition to market participants, members also include key components of the derivatives market infrastructure including exchanges, clearinghouses and repositories, as well as law firms, accounting firms and other service providers. Information about ISDA and its activities is available on the Association's web site: www.isda.org

MFA:
The Managed Funds Association (MFA) represents the global alternative investment industry and its investors by advocating for sound industry practices and public policies that foster efficient, transparent, and fair capital markets. MFA, based in Washington, DC, is an advocacy, education, and communications organization established to enable hedge fund and managed futures firms in the alternative investment industry to participate in the public policy discourse, share best practices and learn from peers, and communicate the industry's contributions to the global economy. MFA members help pension plans, university endowments, charitable organizations, qualified individuals and other institutional investors to diversify their investments, manage risk, and generate attractive returns. MFA has cultivated a global membership and actively engages with regulators and policy markets in Asia, Europe, the Americas, Australia and all other regions where MFA members are market participants. For more information, please visit: www.managedfunds.org.