August 5, 2026

<u>Via Electronic Mail</u>

DJ Hennes, Director, Division of Market Oversight
Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st Street, N.W.
Washington, D.C. 20581

Re: Supplemental Submission to February 19, 2026 MFA No-Action Request: Trading of Invoice Spread Package Transactions

Dear Mr. Hennes:

MFA[1] submits this letter to supplement its February 19, 2026 no-action request on invoice spread package transactions (the "**MFA No-Action Request**")[2] and to provide additional detail requested by the Staff of the Division of Market Oversight ("**DMO**") and the Market Participants Division ("**MPS**") (collectively, the "**Divisions**" or "**Staff**") of the Commodity Futures Trading Commission ("**CFTC**" or "**Commission**").

MFA's request builds on longstanding CFTC policy positions that permit a range of package transactions, including "invoice spread" packages (composed of a cleared interest rate swap and a cleared future), to trade *both* on-swap execution facility ("**SEF**") and off-SEF, even if the interest rate swap leg is subject to a mandatory SEF execution requirement.[3]

MFA members have utilized this execution flexibility to execute invoice spread packages *off-SEF* in accordance with both CFTC rules and Chicago Mercantile Exchange ("**CME**") rules. In particular, CME Rule 538

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1 Managed Funds Association ("**MFA**"), based in Washington, D.C., New York City, Brussels, and London, represents the global alternative asset management industry. MFA's mission is to advance the ability of alternative asset managers to raise capital, invest it, and generate returns for their beneficiaries. MFA advocates on behalf of its membership and convenes stakeholders to address global regulatory, operational, and business issues. MFA has more than 180 fund manager members, including traditional hedge funds, private credit funds, and hybrid funds, that employ a diverse set of investment strategies. Member firms help pension plans, university endowments, charitable foundations, and other institutional investors diversify their investments, manage risk, and generate attractive returns throughout the economic cycle.

2 MFA, Letter to Frank Fisanich, Acting Dir., Div. of Mkt. Oversight, & Thomas Smith, Acting Dir., Mkt. Participants Div., CFTC, *Re: Electronic Trading of Invoice Spread Packages* (Feb. 19, 2026), *available at* https://www.mfaalts.org/wp-content/uploads/2026/02/MFA-CFTC-No-Action-Request-re-Invoice-Spreads-and-Rule-538-021926-FINAL.pdf.

3 CFTC Letter No. 25-33, *No-Action Positions with Respect to Sections 2(h)(8) and 5(d)(9) of the Commodity Exchange Act and Commission Regulations 37.3(a)(2) and 37.9 for Swaps Executed as Part of Certain Package Transactions*, at 2–3 (Sept. 22, 2025), *available at* https://www.cftc.gov/csl/25-33/download.

designates invoice spread packages as a type of Exchange for Related Position ("**EFRP**") transaction[4] and sets forth the trading protocols[5] that can be used to trade EFRPs and the timelines for reporting the futures leg of these transactions to the CME for clearing.

However, MFA members (and the broader industry) have been prevented from *voluntarily* executing invoice spread packages *on-SEF*—even if the SEF complies with the permitted trading protocols set forth in CME Rule 538 for EFRPs—due to a separate prong of the CME rule that categorically prohibits SEFs from being involved in the trade execution process.[6]

This blanket CME prohibition on trading these packages on a SEF has prevented execution flexibility, undermined efficiency, and is directly counter to the CFTC's longstanding position to allow these packages to trade both on-SEF and off-SEF. In addition, the blanket prohibition lacks any rational justification and incentivizes trading activity to move off-shore to non-U.S. regulated venues.

We therefore request limited no-action relief from the SEF definition under CFTC Regulation 37.3 that would permit a trading venue to offer invoice spread packages pursuant to trading protocols that are otherwise compliant with CME Rule 538 without having to register as a SEF. This would provide market participants with additional, more efficient options for executing invoice spread transactions here in the U.S., while remaining in full compliance with all other aspects of CME Rule 538.

I. MFA's request is consistent with longstanding CFTC policy positions

As detailed in the MFA No-Action Request, invoice spread packages are an important risk management and hedging instrument commonly used by MFA members and the broader industry, with trading volumes in the

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4 *See* CME Market Regulation Advisory Notice: Exchange for Related Positions, CME Group RA2604-5 (May 29, 2026), *available at* https://www.cmegroup.com/rulebook/files/cme-group-Rule-538.pdf ("**CME Rule 538**") ("EFRPs are one of the permitted exceptions to the requirement that futures and options on futures be executed openly and competitively on the Exchange. An EFRP transaction involves the off-exchange execution of an Exchange futures or options on futures contract and, on the opposite side of the market, the simultaneous execution of an equivalent quantity of the cash product, by-product, related product or OTC derivative instrument corresponding to the asset underlying the Exchange contract.").

5 *See id.*, at Q5 ("It is not permissible to facilitate the execution of EFRPs on a system or facility accessible to multiple parties that allows for the electronic matching of or the electronic acceptance of bids and offers. Parties may use communication technologies to bilaterally request EFRP quotes from one or more participants and to conduct privately negotiated EFRPs. Parties may also utilize technologies supported by third parties which allow for the electronic posting of indicative EFRP markets displayed to multiple market participants. However, EFRPs executed between parties based on such electronically displayed indicative markets may be transacted only through direct bilateral communications involving the broker, where applicable, and the parties to the trade.").

6 *See id.*, at Q3 ("A swap that is traded on, or subject to the rules of, a designated contract market ... or a [SEF] is ineligible to be the related position component of an [exchange of futures for risk] or [exchange of option for option] transaction executed pursuant to Rule 538.").

tens of billions per day.[7] The CFTC has consistently recognized the importance of facilitating the execution of package transactions, including invoice spreads, when granting additional flexibility in trading protocols, permitting these transactions to be executed *both* on-SEF and off-SEF, even if the interest rate swap leg is otherwise subject to a mandatory SEF execution requirement. This was designed to allow market participants to develop and experiment with various types of trading protocols for these more complex products that involve the simultaneous execution of multiple instruments.[8]

Over time, SEFs have played an important role in developing more efficient and transparent solutions for the execution of package transactions compared to phone or chat-based bilateral trading protocols. As a result, the market has witnessed a voluntary transition of more trading volume onto SEFs for various types of packages. However, that has not been case for invoice spread packages, due solely to the blanket prohibition in CME Rule 538 that categorically prohibits SEFs from being involved in the execution of these packages. Therefore, for invoice spread packages, innovation has been stifled and market participants have been compelled to continue to rely on less efficient and transparent phone- and chat-based trading protocols. This CME-driven insistence on only trading invoice spread packages off-SEF is directly inconsistent with the CFTC's focus on facilitating market-led innovation and providing market participants with the flexibility to choose to trade either on-SEF or off-SEF.

II. The blanket prohibition on SEF trading of invoice spreads has no rational justification

CME Rule 538 sets forth in detail the types of trading protocols that can be used to execute EFRPs, including invoice spread packages, specifying that "[p]arties may use communication technologies to bilaterally request EFRP quotes from one or more participants and to conduct privately negotiated EFRPs. Parties may also utilize technologies supported by third parties which allow for the electronic posting of indicative EFRP markets displayed to multiple market participants."[9]

Based on the language above, a trading venue that is *not registered with the CFTC* can develop a platform that complies with these trading requirements (*e.g.*, provides an indicative RFQ-based trading protocol) to facilitate the execution of EFRPs, including invoice spread packages. Indeed, trading venues registered with the

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7 CME Group, *Treasury Invoice Swaps*, https://www.cmegroup.com/trading/interest-rates/treasury-invoice-swaps.html (last visited Aug. 4, 2026).

8 As with other types of package transactions, when executing an invoice spread, the customer and dealer agree to the package economics, including the futures contract, the swap, the hedge ratio, and the spread. The economic value of the trade lies in the relationship between the two legs, not in either leg standing alone. Market participants therefore cannot "leg" separately into the futures and swap components without assuming market risk, bid-offer costs, and execution uncertainty that undermines the economics of the trade.

9 CME Rule 538, Q5, *supra* note 5. The policy rationale for EFR treatment is that the futures trade is connected to a bona fide related position and therefore is not simply an unregulated substitute for competitive futures trading on the exchange. The package is bona fide, contingent, documented, economically related, and subject to exchange surveillance.

SEC are already doing so for several other types of EFRPs, including CME-cleared futures packaged with (a) cash Treasuries, (b) mortgaged backed securities, and (c) ETFs.

However, the problem is that a trading venue that develops such a solution for invoice spread packages may trigger the SEF definition under CFTC Regulation 37.3 due to interest rate swaps composing a part of these packages. CME Rule 538 also contains a separate blanket prohibition on SEFs being involved in the trade execution process.[10]

This blanket prohibition lacks a rational justification—if an unregistered trading venue can offer a specific solution for trading invoice spreads in compliance with CME rules, why would a CFTC-registered trading venue subject to greater regulatory oversight be prohibited from offering *the exact same solution*?

We note that any concern about the involvement of two regulated platforms in the trade execution workflow (*i.e.*, the SEF and CME) can be easily addressed by the SEF adding specific provisions to its rulebook that defers to the CME rulebook in the event any inconsistency arises relating to the execution of an invoice spread package. In addition, there are *already* SEC-regulated alternative trading systems with their own rulebooks that are facilitating the execution of various other types of EFRPs under CME Rule 538.

III. Offshore trading migration risk

If market participants remain unduly constrained when transacting invoice spread packages in the U.S., the industry will increasingly turn to offshore venues, including multilateral trading facilities ("**MTFs**"), that are not subject to a blanket prohibition under CME Rule 538. We understand that trading venues are currently working on developing offshore offerings. The result will be reduced U.S. market participation and liquidity, reduced U.S. transparency, and diminished U.S. market competitiveness.

As previously noted, the MFA No-Action Request would help support development of the market "within the U.S., as opposed to it moving offshore to non-U.S. domiciled [MTFs]."[11] MFA's view is that market participants should not have to move dollar-denominated interest rate trading activity offshore in order to obtain execution efficiencies that are already envisaged by the CFTC's regulatory framework. However, given the lack of progress on this topic for over a decade,[12] it is predictable that liquidity would migrate to more efficient execution venues and

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10 CME Rule 538, Q3, *supra* note 6.

11 MFA No-Action Request, *supra* note 2, at 8-9.

12 *See, e.g.*, Comment Letters from Alphadyne Asset Management, AQR Capital Management, Axonic Capital, Federal Home Loan Banks, Fortress Liquid Markets, International Swaps and Derivatives Association, Kepos Capital, Managed Funds Association, MKP Capital Management, and Ropes & Gray regarding CME Rule 538 amendments and associated advisory guidance, *available at* http://comments.cftc.gov/PublicComments/ReleasesWithComments.aspx?Type=ListAll&Year=2013; Adam C. Cooper, Citadel LLC, Comment Letter on CME Rule 538 Amendments (Dec. 6, 2013), *available at* https://www.citadel.com/wp-content/uploads/2016/09/Citadel-CFTC-Comment-Letter-on-CME-Rule-538-Amendments-Dec-6-2013-FINAL.pdf; Walter L. Lukken, President & CEO, Futures Industry Association, Comment

MFA members support any steps taken to facilitate greater innovation and efficiency in the trading of invoice spreads.

IV. The MFA No-Action Request would not create incremental regulatory risk

The MFA No-Action Request creates no material reduction in regulatory visibility, market oversight, or market integrity. The requested relief is limited to ensuring that trading venues can develop more efficient ways to transact invoice spreads, while remaining in compliance with the substantive requirements of CME Rule 538.

Importantly, the package transaction would remain subject to CME Rule 538, including CME reporting requirements, surveillance, and disciplinary authority, all of which is under CFTC oversight and supervision.[13] Likewise, the IRS component would remain subject to all otherwise applicable swap regulatory requirements, including clearing, reporting, recordkeeping, business-conduct, anti-fraud, anti-manipulation, and anti-evasion obligations.[14] The requested relief therefore would not remove any aspect of the transaction from the Commission's supervisory framework.

Nor would the requested relief impair the Commission's visibility into invoice spread package transactions. In addition to the CFTC's oversight of CME, market participants would continue to generate the same regulatory reporting trail, maintain the same books and records, and remain subject to the same anti-fraud, anti-manipulation, and anti-evasion authorities that apply today. The CFTC Staff's longstanding no-action letters relating to package transactions recognize that, where a swap serves as one component of an economically integrated package transaction, execution requirements may appropriately be tailored without compromising regulatory oversight or market integrity.[15] The same principle applies here.

Invoice spreads are already being transacted outside of CFTC-registered trading venues. This limited no-action request would simply allow additional trading venues to offer invoice spread packages pursuant to trading protocols that are otherwise compliant with CME Rule 538 without having to register as a SEF.

Letter on CME Rule 538 Amendments (Dec. 6, 2013), *available at* https://comments.cftc.gov/Handlers/PdfHandler.ashx?id=25221.

13 CME Rule 538, *supra* note 4.

14 7 U.S.C. § 2(h)(8); 17 C.F.R. § 37.9(a)(1)–(2), *available at* https://www.ecfr.gov/current/title-17/chapter-I/part-37/subpart-A/section-37.9; CFTC Letter No. 25-33, *supra* note 3, at 2–3.

15 *See, e.g.*, CFTC Letter No. 14-12, *No-Action Relief from the Commodity Exchange Act Sections 2(h)(8) and 5(d)(9) and from Commission Regulation § 37.9 for Swaps Executed as Part of a Package Transaction* (Feb. 10, 2014), *available at* https://www.cftc.gov/csl/14-12/download.

V. The MFA No-Action Request

As detailed in our initial submission, MFA requests that Staff issue no-action relief from the SEF definition under CFTC Regulation 37.3 to allow a trading venue to offer invoice spread packages pursuant to trading protocols that are otherwise compliant with CME Rule 538 without having to register as a SEF.

This action would overcome the prohibition on trading these packages on a SEF that prevents execution flexibility, undermines efficiency, risks trading activity moving offshore, and is directly counter to the CFTC's longstanding position to allow these packages to trade both on-SEF and off-SEF.

Granting the requested relief would be consistent with the CEA's policy objectives of promoting responsible innovation and fair competition among markets and market participants.[16] In addition, the MFA No-Action Request is technology-neutral, facilitating innovation while permitting market participants to utilize the execution method that is most efficient for their specific trading strategy.

MFA proposes that any no-action relief be conditioned on specific safeguards designed to ensure that relief remains limited to bona fide invoice spread package transactions and cannot be inappropriately broadened in scope. In particular:

- **Bona fide package transaction.** The interest rate swap leg and Treasury futures leg must be negotiated as a bona fide package transaction. Consistent with longstanding CFTC determinations, a "package transaction" is a transaction involving two or more instruments: (1) that is executed between two or more counterparties; (2) that is priced or quoted as one economic transaction with simultaneous or near simultaneous execution of all components; and (3) where the execution of each component is contingent upon the execution of all other components.
- **Reporting and clearing.** Each leg must continue to satisfy all otherwise applicable CFTC regulatory requirements, including clearing, reporting, and recordkeeping requirements.
- **Regulatory access.** Trading records must remain available to the Commission, CME, and any applicable SDRs and clearing organizations.

These safeguards ensure that the requested relief remains narrow, targeted, and fully consistent with both the Commission's package transaction precedent and the principles underlying EFRP treatment at CME.

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16 Congress directed the Commission to foster responsible innovation and fair competition among boards of trade, other markets, and market participants. *See* 7 U.S.C. § 5(b).

We appreciate the Divisions' continued engagement on this issue and would welcome the opportunity to discuss these points further. Should you have questions or require additional information, please feel free to contact Jeff Himstreet (jhimstreet@mfaalts.org) or the undersigned (jhan@mfaalts.org).

Sincerely yours,

/s/ Jennifer W. Han

Jennifer W. Han
Chief Legal Officer
Head of Global Regulatory Affairs
MFA

cc: Michael Selig, Chairman, CFTC