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October 1, 2026

Christopher Kirkpatrick
Secretary of the Commission
U.S. Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st Street, NW
Washington, DC 20581

Re: CFTC Notice of Proposed Rulemaking - Conflicts and Affiliations (RIN 3038–AF76)

Dear Mr. Kirkpatrick:

TW SEF LLC, DW SEF LLC, and their affiliates (collectively, "**Tradeweb**") appreciate the opportunity to comment on the U.S. Commodity Futures Trading Commission's ("**CFTC**" or "**Commission**") Notice of Proposed Rulemaking regarding *Conflicts and Affiliations* (the "**Proposal**"), published on August 6, 2026.[1] Tradeweb operates both a Commission-registered swap execution facility ("**SEF**") and an affiliated introducing broker ("**IB**").[2] This comment letter addresses the Proposal's potential impact on Tradeweb's SEF and IB and offers specific recommendations to ensure the final rules appropriately balance conflict mitigation with operational efficiency and market access.

A. Tradeweb Supports the Commission's Traditional Principles-Based Approach

Tradeweb supports the regulatory approach adopted by the Commodity Exchange Act ("**CEA**") and the CFTC's SEF regulations, which allows SEFs to follow regulatory principles rather than prescriptive structural requirements. The Proposal appropriately recognizes that affiliations between exchanges and market intermediaries can produce efficiencies and competitive benefits, and that targeted procedures-and-disclosure frameworks can adequately mitigate relevant risks without foreclosing efficiency-enhancing structures. This approach is consistent with the

[1] *Conflicts and Affiliations*, 91 Fed. Reg. 50,926 (proposed Aug. 6, 2026).
[2] TW SEF LLC and DW SEF LLC are CFTC-registered SEFs. Tradeweb LLC and Dealerweb LLC are CFTC-registered IBs and members of the National Futures Association.

views expressed by numerous commenters in response to the CFTC's 2023 *Affiliations Request for Comment*.[3]

Tradeweb supports the Commission's goals of mitigating conflicts of interest and protecting market integrity, and endorses an outcomes-oriented and principles-based approach. Tradeweb and other CFTC-registered entities operate under diverse business models that may include affiliations with IBs, futures commission merchants ("**FCMs**"), or other market participants. Conflicts can be effectively mitigated through controls, governance, and information barriers, rather than through duplicative personnel, systems, or facilities.

Consistent with the CEA and the Commission's traditional principles-based regulatory approach, registered entities should retain the flexibility to determine how to achieve the Commission's objectives based on their particular business models and risk profiles. The Commission retains ample supervisory tools to oversee how firms manage these conflicts, including its existing examination authority. In addition, the Proposal recognizes that a SEF chief compliance officer's annual report to the Commission addresses the SEF's compliance program and material noncompliance issues. Because the Commission already possesses these supervisory tools, prescriptive structural mandates are unnecessary and could impose costs without corresponding benefits while deterring entry and competition in the derivatives markets.

B. Concerns Regarding Proposed Separation Requirements

The Proposal's acceptable practices guidance suggests that SEFs should maintain separations between themselves and their affiliate market participants with respect to three key areas: (1) applications and systems, (2) personnel, and (3) physical office space. Each of these separation requirements is discussed in turn below. While Tradeweb supports the Commission's objective of mitigating conflicts of interest, Tradeweb urges the Commission to clarify that these separation requirements can be satisfied through appropriate barriers, access controls, documented compliance procedures, and governance, which ensure that the objectives of information separation are achieved without imposing significant costs.

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[3] *See* Letter from CME Group Inc. (Sept. 20, 2023) (cautioning the Commission against adopting comprehensive and prescriptive rules and endorsing the CEA's principles-based approach, under which the separation between registered entities and the market participants they oversee is a foundational element); Letter from Intercontinental Exchange, Inc. (Sept. 28, 2023) (supporting the CFTC's principles-based framework as one that fosters growth and innovation, and explaining that group affiliations promote greater access, cost-efficiencies, and competition while robust governance arrangements mitigate conflicts of interest); Letter from Cboe Global Markets, Inc. (Sept. 28, 2023) (urging the Commission to continue embracing a principles-based approach that allows flexibility to address particular facts and circumstances rather than developing an entirely new, prescriptive framework, and noting that existing CFTC regulations already adequately address affiliation risks); Letter from The Global Association of Central Counterparties (CCP Global) (Sept. 28, 2023) (supporting a principles-based approach but advocating an appropriate separation of an FCM from an affiliated DCM/DCO/SEF through information barriers); and Letter from World Federation of Exchanges (Sept. 27, 2023) (endorsing the continued use of a principles-based approach).

1. Systems Separation Requirements

Under the Proposal, SEFs would be expected to keep their technology systems separate from those of any affiliated market participant to prevent the sharing of non-public information. While Tradeweb supports this goal, the guidance as written could be read to require SEFs to build and operate entirely separate trading platforms, surveillance tools, and recordkeeping systems, even where strong information barriers are already in place. For smaller SEFs with affiliated IBs, such complete separation would be costly and would not meaningfully improve market integrity.

Tradeweb recommends that the Commission clarify that the Proposal's reference to keeping a SEF's trading platform, surveillance systems, and recordkeeping systems "logically separate" from an affiliate's applications and systems does not require redundant or entirely standalone systems. Logical separation should be achievable through access controls, information barriers, and monitoring procedures applied to existing shared systems and infrastructure. A SEF should be able to rely on a single set of existing systems with appropriate logical controls, including for back-office and administrative functions, so long as documented controls prevent improper information sharing.

2. Personnel Separation Requirements

Under the Proposal, SEFs generally would not be permitted to share staff with an affiliated market participant. The guidance would allow limited exceptions for administrative roles like accounting, human resources, and payroll, as well as for technology staff responsible for systems safeguards. While Tradeweb agrees that SEFs should prevent inappropriate information sharing, the narrow list of permitted exceptions could create significant operational burdens. This is particularly concerning for SEFs like Tradeweb with affiliated IBs that currently rely on shared compliance, legal, and internal audit teams.

Accordingly, Tradeweb recommends that the Commission expand the list of permitted exceptions to include legal, compliance, internal audit, product, and other business personnel. Subject to comprehensive governance and risk-based monitoring policies and procedures, an employee of one business (including product and business-line personnel) should be permitted to participate in the business operations of an affiliate to the extent that such person does not have access to non-public information relevant to the other business.

The Commission itself has requested comment on the appropriate classification of legal and compliance staff.[4] Tradeweb urges the Commission to focus on preventing inappropriate information sharing rather than imposing a blanket bar on shared personnel.

The Proposal defines "non-public information" as information that has not been disseminated in a manner that makes it generally available to the trading public. Shared personnel can serve multiple affiliates effectively without compromising the SEF's regulatory independence,

[4] *See* Proposal, 91 Fed. Reg. at 50,947; *see also id.* at 50,948 (Request for Comment No. 34).

so long as appropriate safeguards are in place, such as documented information barrier policies, separate reporting lines for regulatory matters, and regular conflicts-of-interest training.

3. Office Space Separation Requirements

Under the Proposal, SEFs would be expected to maintain office space that is physically separate from any affiliated market participant, including through physical barriers and monitoring capabilities. While Tradeweb supports reasonable measures to prevent improper information sharing, a requirement for complete physical separation (such as constructed barriers or entirely separate office locations) could impose substantial real estate and operational costs on SEFs that share office space with their affiliated IBs.

For this reason, Tradeweb recommends that the Commission clarify that SEFs can satisfy the physical separation requirement through practical measures, such as separate office areas or floors, access controls, clean desk policies, and monitoring procedures, rather than requiring entirely separate office locations or constructed physical barriers. Appropriate conflicts-of-interest procedures and information barriers can effectively prevent improper information sharing without mandating complete physical separation.

C. Concerns Regarding the Proposed Disclosure Requirements

Under the Proposal, SEFs with affiliate market participants would be subject to new disclosure and documentation requirements. First, proposed CFTC Rule 37.1201 would require SEFs to disclose affiliate relationships in their rulebook and on their website. Second, the Proposal would require SEFs to document all conflicts of interest involving affiliate market participants and how those conflicts are resolved. Tradeweb supports transparency and appropriate recordkeeping but urges the Commission to clarify the scope of these requirements so that they are proportionate to the nature and degree of conflict presented by different types of affiliate relationships.

1. Scope of Disclosure Obligations

Under proposed CFTC Rule 37.1201, SEFs would be required to disclose any affiliate market participant relationships in their rulebook and prominently on their website and application portal. Tradeweb supports transparency regarding affiliate relationships. However, the Proposal does not clearly explain what information SEFs must disclose when the affiliate is an IB, as opposed to an FCM or principal trading firm.

Tradeweb therefore recommends that the Commission provide guidance clarifying what specific information must be disclosed for SEF-IB affiliations, for example, whether the disclosure should describe the nature of the IB's activities, its customer base, or any limitations on its role. More broadly, disclosure requirements should be proportionate to the nature and degree of conflict presented by different types of affiliate relationships.

2. Documentation and Recordkeeping Requirements

Under the Proposal, SEFs would be required to document all conflicts of interest involving affiliate market participants and explain how each conflict is resolved. While Tradeweb supports appropriate documentation practices, a requirement to document "all" conflicts could be read to require extensive recordkeeping for routine interactions that do not present any real risk of harm.

To avoid unnecessary burden, Tradeweb recommends that the Commission clarify that the documentation requirement applies only to material conflicts of interest, meaning those that could affect the SEF's decision-making or its fair treatment of market participants. Documentation should focus on circumstances where a conflict could reasonably affect the SEF's regulatory or commercial decisions, not on every routine interaction between affiliate personnel.

D. The Commission Should Tailor Guidance to Address Riskier Affiliations

The Proposal focuses primarily on conflicts arising from affiliations between trading venues (designated contract markets and SEFs) and FCMs or principal trading firms. Affiliations between SEFs and IBs, however, present a materially different risk profile. Unlike FCMs, IBs do not hold customer funds, clear transactions, or carry customer positions. The conflicts arising from a SEF-IB affiliation are generally limited to potential preferential treatment in the solicitation and referral of customers to the SEF, rather than the financial integrity and customer protection concerns that arise with FCM affiliations.

The same is true for the non-public information restrictions. In the SEF-IB context, the non-public information that an IB might access differs significantly from what an FCM would possess. An FCM has access to customer positions and margin information, which creates more acute conflict-of-interest concerns. An IB, by contrast, typically has access only to customer referral patterns and trading preferences, which present a lower level of risk.

To address these concerns, Tradeweb recommends that the Commission tailor the proposed requirements based on the type of affiliation. Affiliations with IBs present lower-risk conflicts than affiliations with FCMs or principal trading firms, and the compliance requirements should reflect this distinction. The Commission specifically requested comment on whether the proposed CFTC Rule 1.52 amendments should apply to self-regulatory organization oversight of affiliated entities other than FCMs, including IBs. Tradeweb urges the Commission to adopt a risk-based approach that recognizes these differences.

In addition, Tradeweb recommends that the Commission provide guidance on how the non-public information restrictions apply in the SEF-IB context, recognizing that the categories of relevant non-public information differ from those applicable to FCM affiliations. The Commission should also confirm that routine sharing of publicly available market information and SEF trading protocols does not implicate the non-public information restrictions.

Finally, as the Commission has acknowledged, it is difficult to quantify the costs of requiring physical separation of personnel and office space without specific information about existing arrangements. For SEFs with affiliated IBs, implementation costs could include separate office space, dedicated personnel, new technology systems, and ongoing compliance monitoring. Given the lower-risk profile of SEF-IB affiliations compared to other types of affiliations, the Commission should ensure that compliance costs are proportionate to the conflicts presented. Smaller SEFs with limited affiliate relationships should not face the same compliance burden as large, vertically integrated exchange groups.

E. Transition Period and Implementation

The Commission has requested comment on the time SEFs and other affected entities would need to comply, and whether the rule should provide a transition period for affiliate arrangements that exist on the effective date. Tradeweb urges the Commission to provide an adequate transition period that allows SEFs with existing affiliate relationships to implement the required changes without disrupting market operations.

Specifically, Tradeweb recommends that the Commission provide a minimum transition period of 18 months from the effective date of any final rules for SEFs with existing affiliate IB relationships to come into compliance. This period should allow sufficient time to negotiate and execute new office leases if required, recruit and train any additional personnel, develop and implement enhanced information barrier systems, revise policies and procedures, and update rulebooks and website disclosures.

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Tradeweb appreciates the Commission's thoughtful approach to addressing conflicts of interest arising from affiliate relationships while preserving the benefits that such structures can provide to the derivatives markets. We support the Commission's principles-based framework and encourage the Commission to provide additional clarity on the application of the proposed requirements to SEF-IB affiliations, which present a materially different risk profile from the FCM and principal trading firm affiliations that are the primary focus of the Proposal.

If you have any questions or would like to discuss these comments further, please do not hesitate to contact me at elisabeth.kirby@tradeweb.com.

Respectfully submitted,



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