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Mr. Christopher Kirkpatrick
Secretary of the Commission
U.S. Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st Street, N.W.
Washington, D.C. 20581

Re: Conflicts and Affiliations, RIN 3038-AF76 (Docket No. CFTC-2026-1686); 91 FR 50926 (Aug. 6, 2026)

Dear Mr. Kirkpatrick:

LatAm SEF, LLC ("LatAm SEF") respectfully submits this comment in response to the Commission's Notice of Proposed Rulemaking, RIN 3038-AF76 ("NPRM") on Conflicts and Affiliations (the "Proposed Rule" or the "Proposal"). LatAm SEF is an interest rate and foreign exchange derivatives swap execution facility ("SEF") specializing in Mexican and Latin American markets. As a registered SEF, LatAm SEF has a significant interest in the Proposal and any possible rulemakings that may result from the Proposal.

1. General Comments

This comment addresses Proposed Rule 37.1201 with respect to SEF procedures for identifying, addressing, and managing conflicts of interest involving an affiliate market participant – specifically, an intermediary acting as agent for customers to directly or indirectly execute, introduce, or otherwise facilitate trades on a SEF. As a general matter, LatAm SEF supports the Proposal as it broadly reflects and codifies existing practices and processes adopted by LatAm SEF in alignment with the SEF Core Principles and staff guidance. As discussed below, LatAm SEF is concerned that the Proposal implements information barriers even where the SEF membership base presents no potential conflicts. LatAm SEF also has concerns that the Proposal is overly prescriptive in certain requirements that are currently adequately met through principles-based compliance, that the Proposal may unintentionally compromise wholistic market oversight, and that the Proposal disregards regulatory and market distinctions between Commission registration categories in favor of regulatory equivalence across registrant types.

2. Information Barriers Tailored to Circumstances

Proposed Rule 37.1201 presumes that the SEF's membership includes both affiliate and non-affiliate introducing brokers and that non-affiliate introducing brokers may be disadvantaged due to preferential treatment on the part of the SEF. LatAm SEF observes that the Proposal does not take into account that SEF membership may not include both affiliate and non-affiliate introducing brokers and that imposing information sharing rules where no such potential membership conflict presently exists is burdensome and unnecessary.

Proposed Rule 37.1201(b)(1) requires that the SEF have procedures that address, at a minimum, "Applications and systems, such that a swap execution facility's applications, information and systems are maintained and operated in a manner that prevents the sharing of non-public information with any affiliate market participant". Appendix B guidance defines "non-public information" as "information which has not been disseminated in a manner which makes it generally available to the trading public with any affiliate market participant; provided, however that a swap execution facility may share non-public information with

an affiliate market participant if: the information is shared with all of the swap execution facility's market participants; *or the information relates only to the affiliate market participant or the affiliate market participant's customers*" (emphasis added). Although this guidance contemplates and provides flexibility for information relating only to the affiliate market participant and their customers, regulation 37.1201(b)(1) nonetheless establishes procedures related to applications and systems, personnel and office space under the presumption that the SEF's membership also includes non- affiliate market participants. The personnel and office space procedures incur significant costs and sacrifice benefits that could otherwise be realized in the form of operating efficiencies and broad oversight.

LatAm SEF respectfully requests that the Commission modify the Proposed Rule to establish applicability based on the SEF's current membership. In so doing, the Commission will avoid overly burdensome requirements for SEFs whose membership does not presently include non-affiliate market participants and therefore pose no risk of preferential treatment.

3. Commission Request for Comment

LatAm SEF offers the following comments and responses to certain of the Commission's questions posed in the NPRM on proposed Commission Regulation 37.1201 and the conforming acceptable practices.

A. Sharing of Legal and Compliance Staff

In NPRM comment request number 34 the Commission requests comment on "Whether... SEFs should be able to share legal and compliance staff with an affiliate market participant." The Commission states that it "preliminarily believes that legal and compliance personnel do not constitute administrative staff for these purposes, such that a DCM or a SEF would not be able to share such personnel with an affiliate market participant. The Commission requests comment on the appropriate classification of legal and compliance staff" (Id. at 50947).

LatAm SEF believes that this staffing prohibition is unnecessary and cost prohibitive. LatAm SEF, together with an affiliate introducing broker, hosts niche marketplaces with appropriate modest, efficient staffing across the two entities. LatAm SEF agrees that information sharing barriers should exist and LatAm SEF has established such barriers under a principles-based approach to regulatory compliance that we believe adequately addresses relevant risks. LatAm SEF's regulatory and compliance program already features self-regulatory functions such as SEF rules, a regulatory oversight committee, and a participation agreement explicitly authorizing an introducing broker relationship.

Furthermore, LatAm SEF has concerns that the proposed staff prohibitions may be detrimental to market oversight, particularly in markets where trade arrangement occurs away from the SEF. The Commission's current regulatory framework divides swaps contracts into two classifications of execution, "Required" and "Permitted" transactions. Required transactions must be executed on a swap execution facility, with some exceptions; Permitted transactions may be arranged away from the SEF. In the case of Permitted transactions, shared compliance staff across the affiliate introducing broker and the SEF facilitates a comprehensive view of market activity from trade origination through post-trade reporting and clearing. To divide compliance functions across this transactional workflow and establish information barriers between the divided compliance functions as proposed may add complexity to certain compliance functions by replacing existing wholistic market oversight with fragmented and siloed compliance functions across the trade lifecycle.

LatAm SEF respectfully requests that the Commission modify the Proposed Rule to classify legal and compliance personnel as administrative staff or otherwise permit sharing of legal and compliance personnel subject to conflicts of interest policies and practices such as disclosures, reporting and oversight by a regulatory oversight committee.

B. Differing Regulatory Approaches to DCMs and SEFs

In NPRM comment request number 36 the Commission requests comment on "Whether the proposed approach should differ as between a DCM and a SEF, and whether the SEF context in particular warrants any distinct treatment given the nature of the market participants typically active on a SEF versus those on a DCM." LatAm SEF believes the Commission's approach should differ for the DCM and SEF registration categories because the categories are not equivalent and were not intended to be. In applying equivalent rules to SEFs and DCMs, the Commission would be placing form over function.

The Commission has established separate registration categories for designated contract markets (DCMs) and SEFs based in part on their respective customer bases. SEF membership is comprised of institutional and wholesale market participants that must qualify as eligible contract participants (ECPs) as that legal classification is defined under the U.S. Commodity Exchange Act ("CEA"); DCM membership is permitted to include non-ECPs such as retail investors. These markets further differ in terms of available execution methods and actual practices such that SEF transactions are frequently arranged away from the SEF by ECPs interfacing with introducing brokers via voice trading methods, then registered on the SEF for execution and reporting, while DCM transactions are predominantly executed directly on the DCM platform.

LatAm SEF respectfully requests that the Commission modify the Proposed Rule in a manner that recognizes and preserves the unique role each registrant type plays in the financial markets.

C. Current Practices and Cost of Change to Comply with Proposal

In NPRM comment request number 37 the Commission requests comment on estimated incremental cost of any change required to comply with the Proposal as drafted. LatAm SEF estimates the incremental cost of personnel and office space as prohibitively expensive for an enterprise of our size. LatAm SEF hosts niche markets in a limited number of products with appropriate modest headcount across the affiliate introducing broker and the SEF. LatAm SEF manages affiliated-intermediary conflicts through a rulebook, distinct and transparent independent governance through a SEF board and regulatory oversight committee with public directors, dedicated trade-practice surveillance, and public disclosure of an affiliated market participant in the role of intermediary.

Through measures such as footnote 88, the Commission has effectively mandated SEF registration without regard for size but now proposes one-size-fits-all staffing requirements that prohibit staffing decisions based on business considerations such as workload and economies of scale. LatAm SEF respectfully requests that the Commission modify the Proposed Rule to maintain principles-based regulations and establish scoping guidance based on metrics such as the SEF's organization size, market size, listed products and criticality (see 17 CFR § 37.1401(c), which states, "Swap execution facilities determined by the Commission to be critical financial markets are subject to more stringent requirements").

D. Benefits of Affiliations between Exchanges and Market Participants

In NPRM comment request number 38 the Commission requests comment on benefits of affiliations between exchanges and market participants that the Commission has not described in this Proposal and offers a non-exhaustive list of potential benefits. The Commission has not described the benefit of comprehensive market oversight where the affiliate introducing broker arranges Permitted transactions away from the SEF. Similarly, the Commission does not appear to have considered the scope and nature of trading in Permitted transactions and related differences between SEF and DCM markets.

4. Conclusion

LatAm SEF appreciates the opportunity to comment on the NPRM and urges the Commission to consider our comments as those of a SEF hosting niche markets in Permitted products. LatAm SEF further appreciates the broad range of SEF registrants the Commission regulates and the challenges it faces in doing so. For these reasons, LatAm SEF respectfully requests that the Commission adhere to the principles-based approach it has historically taken to swap markets and maintain a framework that makes regulatory compliance feasible for the full range of registrants, regardless of size.

Questions regarding this comment letter should be directed to the attention of the undersigned at 115 Broadway, Suite 1303, New York, New York 10006, jskelly@latamsef.com or (646) 344-3274.

Sincerely,



Joseph Skelly
Chief Compliance Officer