

trueEX

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February 20, 2014

Via E-Mail: [submissions@cftc.gov](mailto:submissions@cftc.gov)

Ms. Melissa Jurgens  
Secretary of the Commission  
Commodity Futures Trading Commission  
Three Lafayette Centre  
1155 21<sup>st</sup> Street, N.W.  
Washington, D.C. 20581

Re: **trueEX LLC – Clarification of Made Available to Trade (“MAT”) Submission (trueEX LLC submission #2013-14R)**

Dear Ms. Jurgens

trueEX, LLC (“trueEX”) is a designated contract market (“DCM”) and temporarily registered swap execution facility (“SEF”). On October 21, 2013, trueEX self-certified with the Commodity Futures Trading Commission (the “Commission”) its determination that certain interest rate swap (“IRS”) be deemed made available to trade (“MAT”) as set forth in Section 2(h)(8) of the CEA and Sections 37.10 and 38.12 of the Commission’s Regulations. This self-certification was made pursuant to Section 5(c) of the Commodity Exchange Act (“CEA”) and Section 40.6(a) of the Commission’s Regulations. The Commission deemed trueEX’s MAT submission certified on January 21, 2014.

It has come to trueEX’s attention that pages 15 and 16 of Exhibit D of its MAT submission (2013-14) require further clarification of the roll/end date convention for Standard Coupon & Standard Maturity (SCSM™) IRS contracts . trueEX is resubmitting its MAT submission with an amended Exhibit D to clarify that roll/end date convention for SCSM™ will follow standard convention (ie calendar rolls and end dates), which is consistent with trueEX Rule 1002(g)(vi) and (vii). Exhibit D was included as part of the trueEX MAT submission as supplemental information and pages 15 and 16 were not referenced in the submission letter. Full detail on the terms and conditions of IRS contracts offered on trueEX can be found in Chapter 10 of the trueEX rulebook at [www.trueex.com/rules-and-notice](http://www.trueex.com/rules-and-notice)

trueEX certifies that this amended submission has been concurrently posted on its Web site at [www.trueex.com/rules-and-notice](http://www.trueex.com/rules-and-notice).

If you have questions regarding this submission, please contact me at (312) 320-8934 or by email at [fran@trueex.com](mailto:fran@trueex.com).

Sincerely,



Fran Kenck  
Chief Regulatory Officer /Chief Compliance Officer

cc: dmosubmissions@cftc.gov  
Nhan Nguyen, Special Counsel, DMO  
Roger Smith – Attorney Advisor, DMO



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October 21, 2013

**Via E-Mail: [submissions@cftc.gov](mailto:submissions@cftc.gov)**

Ms. Melissa Jurgens  
Secretary of the Commission  
Commodity Futures Trading Commission  
Three Lafayette Centre  
1155 21<sup>st</sup> Street, N.W.  
Washington, D.C. 20581

**Re: Made Available to Trade (“MAT”) Submission of Certain Interest Rate Swaps (“IRS”) pursuant to CFTC Regulation 40.6 (trueEX LLC submission #2013-14)**

Dear Ms. Jurgens

trueEX, LLC (“trueEX”) hereby self-certifies with the Commodity Futures Trading Commission (the “Commission”) its determination that the interest rate swap (“IRS”) contracts described in Exhibit A hereto (the “MAT Contracts”) are available to trade as set forth in Section 2(h)(8) of the CEA and Sections 37.10 and 38.12 of the Commission’s Regulations. This self-certification is being made pursuant to Section 5(c) of the Commodity Exchange Act (“CEA”) and Section 40.6(a) of the Commission’s Regulations.

trueEX operates as both a designated contract market (“DCM”) and temporarily registered swap execution facility (“SEF”). The Commission designated trueEX as a DCM on September 25, 2012 and granted trueEX temporary registration as a SEF on September 20, 2013. trueEX currently lists only certain IRS contracts for trading on either or both of its SEF and DCM and currently offers clearing of those contracts through CME Group (“CME”) and LCH.Clearnet Ltd (“LCH”).

#### **A. Statutory Background**

Section 723(a)(3) of the Dodd-Frank Act added section 2(h)(8) of the CEA to require that swap transactions subject to the clearing requirement must be traded on either a DCM or SEF, unless no DCM or SEF “makes the swap available to trade” or the transaction is not subject to the clearing requirement under section 2(h)(7) (the “trade execution requirement”).<sup>1</sup> On June 4, 2013, the Commission published final regulations implementing the trade execution requirement (the “MAT Rule”), which, among other things, set forth six factors that a SEF or DCM shall consider, as appropriate, when making a swap available to trade.<sup>2</sup> The six factors are as follows:

- (1) whether there are ready and willing buyers and sellers;
- (2) the frequency or size of transactions;
- (3) the trading volume;

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<sup>1</sup> Process for a Designated Contract Market or Swap Execution Facility To Make a Swap Available to Trade, 78 Fed. Reg. 33606 (June 4, 2013)(Discussing the statutory background underlying the Commission’s final rulemaking).

<sup>2</sup> See generally 17 C.F.R. §§ 37.10 and 38.12.

- (4) the number and types of market participants;
- (5) the bid/ask spread; or
- (6) the usual number of resting firm or indicative bids and offers.

In addition to the six factors, the Commission set forth the requirement that an initial determination that a swap is available to trade should be made by a SEF or a DCM that offers the swap for trading<sup>3</sup>, and clarified that “the Commission has determined that [as of June 4, 2013], it will only review available-to-trade submissions for swaps that it has first determined to be subject to the clearing requirement under § 39.5 of the Commission’s regulations.” As of the date of this filing, the Commission has determined that those IRS products listed in Exhibit B hereto are subject to the clearing requirement. *The MAT Contracts for which trueEX has made an available to trade determination form part of the fixed-to-floating swap class subject to mandatory clearing.* trueEX anticipates that it will file a similar MAT determination for Euro denominated IRS, both par coupon and SCSM.

The remainder of this submission letter addresses the listing requirement of the MAT Rule and an analysis of the six factors enumerated in the MAT Rule considered by trueEX in making its determination that the MAT Contracts are available to trade in light of a myriad of industry and trueEX data.

## **B. Listing Requirement**

Sections 37.10(a)(2) and 38.12(a)(2) of the Commission’s Regulations require the SEF or DCM to demonstrate that they have listed or offered for trading the swap for which they are submitting an available to trade determination.<sup>4</sup> On February 21, 2013 and April 15, 2013 trueEX self-certified certain “on-the-run” IRS contracts and Standard Maturity Standard Coupon (“SCSM™”) contracts, (collectively, the “Listed Products”), respectively, each pursuant to Commission Regulation § 40.2.<sup>5</sup> The respective self-certifications became effective, and the applicable Listed Product were incorporated in the trueEX Rulebook on March 11, 2013 and May 1, 2013. The Listed Products were listed for trading on the trueEX DCM Trading System on September 13, 2013. The specifications and rules governing the trading of the Listed Products are detailed in Schedules 1001 and 1002 of Chapter 10 of the trueEX Rulebook, both of which are attached hereto as Exhibit C. As of the date of this self-certification, the Listed Products are still listed for trading by trueEX and duly certified with the Commission.

## **C. Factors to Consider**

Section 37.10(b) and 38.12(b) of the Commission’s Regulations require a SEF or DCM to consider, as appropriate, six enumerated factors when making a determination that a swap is available to trade for purposes of § 2(h)(8) of the CEA. The Commission has stated its belief “that no single factor must always be considered, nor must a SEF or DCM consider more than one factor in a determination”<sup>6</sup> and concluded, “satisfying any one of the determination factors would sufficiently indicate that the contract is available to trade.”<sup>7</sup> Further, the Commission determined in the MAT Rule that a SEF or DCM may consider activity in the same swap listed on another SEF or DCM and the amount of off-exchange activity in the same swap.<sup>8</sup>

This Section C addresses the six enumerated factors using for support a combination of reliable and compelling industry studies, applicable data from other SEFs, data from CFTC registered swap data repositories and internal trueEX. This letter analyzes the regulatory factors as follows: Factor 1 and Factor 4 are analyzed together; Factor 2 and Factor 3 are analyzed together; Factor 5 and Factor 6 are analyzed individually and separately.

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<sup>3</sup> 17 C.F.R. §§ 37.10(a)(2) and 38.12(a)(2).

<sup>4</sup> Process for a Designated Contract Market, at 33621.

<sup>5</sup> trueEX submissions #2013-02 and #2013-04 submitted to the Commission by electronic mail can be found on the trueEX website at <http://www.trueex.com/rules-and-notices>

<sup>6</sup> Process for a Designated Contract Market, at 33613.

<sup>7</sup> *Id.*

<sup>8</sup> Process for a Designated Contract Market, at 33613.

(i) Factors 1: Ready and willing buyers and sellers & Factor 4: Number and types of market participants.

The interest rate swap segment is the single largest segment in the OTC derivatives market.<sup>9</sup> As of October 18, 2013, the CFTC lists 87 swap dealers and two major swap participants provisionally registered with the Commission.<sup>10</sup> An entity must register as a swap dealer if it, among other things, holds itself out as a dealer in swaps or makes a market in swaps.<sup>11</sup> Currently, an entity is exempt from the definition of “swap dealer” under the *de minimus* exemption<sup>12</sup> if the aggregate gross notional amount of its swaps dealing activity over the prior 12 months is less than USD 8 billion.<sup>13</sup> The extent to which currently registered swap dealers participate in the IRS market and specifically in the market for MAT Contracts is difficult to ascertain because swaps have historically been traded privately on a bilateral basis directly between two counterparties.<sup>14</sup> However, trueEX affirms that it has entered into various binding agreements with certain market participants to provide liquidity by acting as both a ready and willing buyer and seller of MAT Contracts on its DCM.

In addition to the registered swap dealers, as of the date of this filing, LCH has 71 swap clearing members and CME has 24 clearing members eligible to clear IRS<sup>15</sup>. Many of these entities either self-clear or clear for multiple affiliates that trade IRS. Furthermore, in its clearing mandate for USD IRS and other products, the Commission has identified swaps dealers, major swap participants, funds (Active, Private, Commodity Pools), and firms engaged in banking or other financial activities as entities that are actively involved in trading IRS. Further, a report on OTC interest rate derivatives transactions conducted by the Federal Reserve Bank of New York included approximately 300 unique market participants in its data set.<sup>16</sup> It is widely known the roughly a thousand firms trade IRS. Finally, trueEX conducted an informal survey of various market participants for their views on MAT and received feedback from various market participants including hedge funds, asset managers, insurance companies, mortgage companies and dealers.<sup>17</sup>

**In making our MAT determination, trueEX has carefully considered that there are ready and willing buyers and sellers and the number and types of market participants.**

(ii) Factor 2: Frequency or size of transactions & Factor 3: Trading volume

The size of IRS transactions is very large relative to the size of transactions of other swap transactions when measured by notional amount. According to the June 2013 quarterly review published by the Bank of International Settlement (“BIS”), there was an outstanding notional amount of approximately USD 370 trillion in IRS globally as of December 2012, comprising approximately 58.4 percent of the total outstanding notional amount across the entire OTC derivatives market globally.<sup>18</sup> LCH, which clears more than 50 percent of all OTC interest rate swaps, reports the total notional of USD denominated IRS cleared on a daily basis to be \$323 billion and the total outstanding notional of cleared USD denominated IRS to be \$130 trillion<sup>19</sup> representing 30.3 percent of the total IRS notional amount cleared. These figures highlight the sheer volume of the IRS market

<sup>9</sup> Statistical release: OTC derivatives statistics at end-December 2012, Bank of International Settlements, Monetary and Economic Department, pg. 4 (May 2013).

<sup>10</sup> National Futures Association – Swap/MSP Registry, available at <http://www.nfa.futures.org/NFA-swaps-information/regulatory-info-sd-and-mps/SD-MSP-registry.HTML>, (Last visited October 20, 2013).

<sup>11</sup> See 17 C.F.R. 1.3(ggg).

<sup>12</sup> 17 C.F.R. 1.3(ggg)(4).

<sup>13</sup> The *de minimus* exemption is not available if an entity's aggregate gross notional amount of swap dealing activity over the preceding 12 months in which the counterparty is a “special entity” is USD 25 million. See 17 C.F.R. 1.3(ggg)(4)(i).

<sup>14</sup> See *generally Swap Execution Facilities: Can They Improve the Structure of OTC Derivatives Markets*, International Swaps and Derivatives Association, Inc. (“ISDA”), March 2011, pg. 4.

<sup>15</sup> [http://www.lchclearnet.com/membership/td/current\\_membership.asp](http://www.lchclearnet.com/membership/td/current_membership.asp) and <http://www.cmegroup.com/tools-information/clearing-firms.html>

<sup>16</sup> *An Analysis of OTC Interest Rate Derivatives Transaction: Impactions for Public Reporting*, Federal Reserve Bank of New York, Staff Report No. 557, Fleming, Jackson, et. al., Abstract (March 2012, revised October 2012).

<sup>17</sup> See *trueEX Industry Survey Results*, Survey results, pg. 6 (October 21, 2013)(Exhibit D hereto).

<sup>18</sup> See Bank of International Settlements – Derivatives statistics, Table 19, *Amounts outstanding of over-the-counter (OTC) derivatives by risk category and instrument* (updated May 8, 2013)(available at <http://www.bis.org/statistics/dt1920a.pdf>).

<sup>19</sup> See LCH.Clearnet – Daily Volumes – SwapClear Global, available at [http://www.lchclearnet.com/swaps/volumes/daily\\_volumes.asp](http://www.lchclearnet.com/swaps/volumes/daily_volumes.asp) (last visited October 20, 2013).

globally and the very large size of cleared USD denominated IRS. Such volumes strongly suggest that there is sufficient support for a determination that the MAT Contracts are available to trade.

While the outstanding notional amount of USD denominated IRS is very large in the IRS market, various data shows that a select group of standard instruments trade relatively frequently.<sup>20</sup> LCH reported that it registered 205,845 sides of an IRS trade for clearing in September 2013,<sup>21</sup> and DTCC SDR data for the month of September 2013 alone demonstrates that the majority of the liquidity in IRS is concentrated in 1 to 2 handfuls of whole year tenors that correspond directly to those tenors of the MAT Contracts.<sup>22</sup> Federal Reserve Bank of New York has reported that the most commonly traded spot IRS tenors are 2, 3, 5, 10, and 30 year<sup>23</sup>, and found that 98% of the USD LIBOR IRS market references the 3-month LIBOR and 91% of the USD LIBOR IRS market were 6-month fixed rate payment.<sup>24</sup> The average IRS trade size is USD 270 million and roughly USD 683 billion in notional value traded on a daily basis.<sup>25</sup> These statistics highlight that the trading frequency and size of IRS with whole year tenors are common enough and sufficient to support an available to trade determination. The MAT Contracts listed in Exhibit A are all contracts with whole year tenors

**In making our MAT determination, trueEX has carefully considered the frequency and size of transactions, and the trading volume of the USD swap market.**

(iii) Factor 5: Bid/Ask spread

The table below represents the typical bid/ask spread quoted in the marketplace for USD IRS semi-bond vs. 3 month Libor

2 year: .25 bps to .75 bps

3 year: .25 bps to .75 bps

5 year: .25 bps to .75 bps

7 year: .25 bps to .75 bps

10 year: .25 bps to 1 bps

15 year: .25 bps to 1 bps

20 year: .25 bps to 1 bps

30 year: .25 bps to 1 bps

**This supports that the market is suited for electronic trading in this narrow scope of IRS products that trueEX had determined to be MAT.**

**In making our MAT determination, trueEX has carefully considered the bid/ask spread.**

(iv) Factor 6: Usual number of resting firm or indicative bids and offers

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<sup>20</sup> *Supra* note 16 at Abstract.

<sup>21</sup> See LCH.Clearnet – Monthly Volumes – SwapClear Global, available at <http://www.lchclearnet.com/swaps/volumes/default.asp> (last visited October 20, 2013).

<sup>22</sup> *Supra* note 17 at 6.

<sup>23</sup> *Supra* note 16 at 14, table 7.

<sup>24</sup> *Supra* note 16 at 12, table.

<sup>25</sup> *Supra* note 16 at 2.

The figures below represents the typical size (in DV01) that is quoted in the marketplace for USD IRS semi-bond vs. 3 month Libor. We anticipate 6 to 10 resting firm bids and offers over time. We have Designated Market Makers who are willing to provide at least 20K DV01 per MAT tenor per market maker.

2 year: 20k to 50k DV01  
3 year: 20k to 50k DV01  
5 year: 20k to 50k DV01  
7 year: 20k to 50k DV01  
10 year: 20k to 50k DV01  
15 year: 20k DV01  
20 year: 20k DV01  
30 year: 20k DV01

**In making our MAT determination, trueEX has carefully considered the usual numbers of resting firm or indicative bids and offers**

#### **D. Strategy and Portfolio Transactions**

For the avoidance of doubt, trueEX's MAT determination for both par coupon IRS and SCSM™ IRS are limited to outright and single stand-alone transactions only. There is not sufficient evidence to support that there is the same or similar liquidity when a MAT IRS is traded as part of a strategy (e.g. if one or all legs of a switch or butterfly are MAT, or as part of a treasury spread or invoice spread) or as part of a portfolio (e.g. one or more line items of a package of positions to be terminated or compacted). For example, a strategy trade would never be considered MAT, even if the combination consisted of MAT x MAT, MAT x MAT x not MAT, etc. nor would a portfolio of transactions in which one or more line items (but not all) are MAT Contracts. This is particularly relevant in the context of CFTC requirements regarding the minimum number of participants to whom a market participant must transmit a request for quote ("RFQ") and other more stringent requirements for Required Transactions.

#### **E. Conclusion**

Given the customizable nature of swaps, it certainly is not possible to capture and list for trading every combination of start date/end date, currencies, day counts, frequencies, float indices, or other customizable attributes. Doing so would result in more than 6 billion unique swap combinations<sup>26</sup>. The information presented in Exhibit 1 supports trueEX's determination that the par coupon IRS and SCSM™ IRS contracts described in Tables 1 and 2 above qualify as MAT and that trueEX's approach to this MAT determination is consistent with the Commission's goals with respect the trade execution mandate.

trueEX certifies that this MAT determination complies with the Act and the Commission's regulations thereunder; in particular CFTC Regulations 37.10 (for SEFs) and 38.12 (for DCMs)

There were no substantive opposing views to this MAT determination by the trueEX Trading Protocols Committee or market participants. Furthermore, trueEX certifies that this certification has been concurrently posted on its Web site at [www.trueex.com/rules-and-notices](http://www.trueex.com/rules-and-notices).

If you have questions regarding this submission, please contact me at (312) 320-8934 or by email at [fran@trueex.com](mailto:fran@trueex.com).

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<sup>26</sup> *Supra* note 17 at 11.

Sincerely,

A handwritten signature in cursive script that reads "Fran Kenck".

Fran Kenck  
Chief Regulatory Officer /Chief Compliance Officer

cc: dmosubmissions@cftc.gov  
Nhan Nguyen, Special Counsel, DMO  
David Van Wagner, Chief Counsel, DMO  
Roger Smith – Attorney Advisor, DMO  
Nancy Markowitz – Deputy Director, DMO

## EXHIBIT A

All the MAT Contracts in Tables 1 and 2 below are eligible to be cleared at both CME and LCH.

**Table 1. Fixed-for-Floating Par Coupon IRS Contracts**

<b>Currency</b>	USD
<b>Tenors</b>	2yr, 3yr, 5yr, 7yr, 10yr, 15yr, 20yr, and 30yr
<b>Fixed Leg:</b>	
Payment Frequency	Semi Annual
Day Count Convention	30/360
<b>Floating Leg:</b>	
Floating Rat Index	LIBOR
Reset Frequency	3 month
Day Count	Actual/360
<b>Start Type</b>	Spot Starting (effective date is two business days after trade date, i.e., T+2)
<b>Trade Type</b>	Outrights only

**Table 2. Standard Coupon & Standard Maturity (SCSM™) IRS Contracts<sup>27</sup>**

<b>Currency</b>	USD
<b>Tenors</b>	1 yr, 2yr, 3yr, 5yr, 7yr, 10yr, 15yr, 20yr, and 30yr
<b>Fixed Leg:</b>	
Payment Frequency	Semi Annual
Day Count Convention	30/360
<b>Floating Leg:</b>	
Floating Rat Index	LIBOR
Reset Frequency	3 month
Day Count	Actual/360
<b>Start Type</b>	3 and 6 month Forward Starting (effective dates will be IMM dates) <sup>28</sup>
<b>Series</b>	Two Series will be listed at any given time (March/June, June/September, September/December, and December/ March)
<b>Trade Type</b>	Outrights only

<sup>27</sup> The contract specifications of trueEX's SCSM™ contract are consistent with the ISDA Market Agreed Coupon ("MAC") contract

<sup>28</sup> IMM dates refer to the International Monetary Market calendar, which are the third Wednesday of March, June, September and December.

## EXHIBIT B

Fixed-to-Floating IRS class subject to mandatory clearing pursuant to Commission Regulation § 50.4

<u>Specification</u>	<b>Fixed-to-Floating Swap Class</b>			
1. Currency	U.S. Dollar (USD)	Euro (EUR)	Sterling (GBP)	Yen (JPY)
2. Floating Rate Indexes	LIBOR	EURIBOR	LIBOR	LIBOR
3. Stated Termination Date Range	28 days to 50 years	28 days to 50 years	28 days to 50 years	28 days to 30 years
4. Optionality	No	No	No	No
5. Dual Currencies	No	No	No	No
6. Conditional Notional Amounts	No	No	No	No

## EXHIBIT C

Schedules 1001 and 1002 of the trueEX Rulebook

### Schedule 1001: Approved Interest Rate Swaps

#### (a) On-the-Run

Currency	Tenors	Clearing House	Fixed Leg		Floating Leg			Trade Types					
			Payment Frequency	Day Count Convention	Interest Rate Benchmark	Reset Frequency	Day Count Convention	Outrights	Switches	Butter-flies	Spreads	Invoice Spreads	Block Trades
USD	Years 2-10, 12, 15, 20, 25, 30	CME	Semi Annual	30/360	LIBOR	3 month	Actual/360	Y	Y	N	N	N	Y <sup>1</sup>

<sup>1</sup>Outrights only

### Schedule 1002: Approved SCSMTM Swap Listings

Currency	Tenors	Clearing House	Fixed Leg		Floating Leg			Trade Types			
			Payment Frequency	Day Count Convention	Interest Rate Benchmark	Reset Frequency	Day Count Convention	Outrights	Calendar Switches	Tenor Switches	Block Trades
USD	Years 1, 2, 3, 5, 7, 10, 15, 20 and 30	CME	Semi Annual	30/360	LIBOR	3 month	Actual/360	Y	N	N	Y <sup>1</sup>

<sup>1</sup>Outrights only

**Exhibit D**

**trueEX™**

**USD Par-Coupon  
&  
SCSM (Standard Coupon Standard Maturity – MAC-style)  
MAT (Made Available to Trade) Designation**

**October 21<sup>st</sup>, 2013**

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# Regulation

**Dodd-Frank Act: Swap transactions that are subject to the clearing requirement must occur on a DCM or SEF, except where no DCM or SEF makes the swap “available to trade”.**

- **A DCM or SEF may submit its determination for a swap:**
  - (1) that it lists or offers for trading;
  - and
  - (2) that is subject to the mandatory clearing requirement
- **A DCM or SEF may submit under product self certification (10 days) or approval (45 days)**
- **CFTC can stay or extend the self certification and approval process, and include a 30 day comment period**
- **After approval, SEFs and DCMs have 30 days to list MAT instruments.**

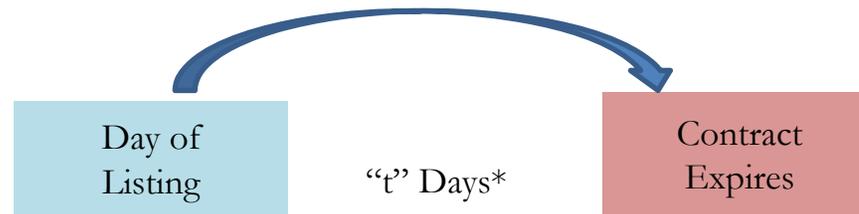
## **Considerations for Listing (Factors)\*:**

- (1) whether there are ready and willing buyers and sellers;
- (2) the frequency or size of transactions;
- (3) the trading volume;
- (4) the number and types of market participants;
- (5) the bid/ask spread;
- or
- (6) the usual number of resting firm or indicative bids and offers.

\*Source: [http://www.cftc.gov/ucm/groups/public/@newsroom/documents/file/mat\\_factsheet\\_final.pdf](http://www.cftc.gov/ucm/groups/public/@newsroom/documents/file/mat_factsheet_final.pdf)

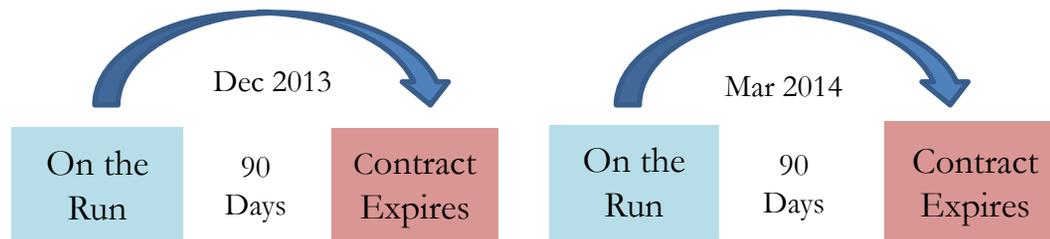
# Product Comparison with Futures

## Listed Futures



\*t = # of days contract is “on-the-run” until expiration

## SCSM (MAC-style) Swap



- ❖ A Dec 10 year SCSM swap is an on-the-run swap for 90 days before it is no longer an on-the-run Dec 10 year SCSM swap

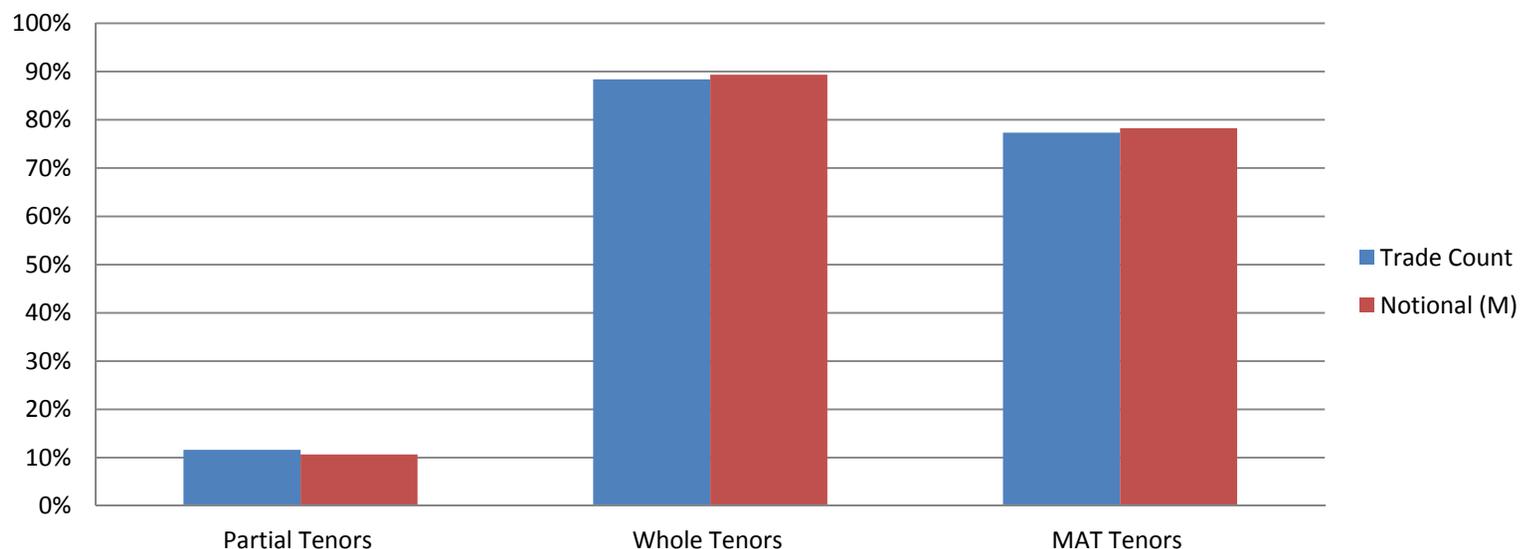
## Par-Coupon Swap



- ❖ A spot 10 year swap is an on-the-run swap for 1 day before it is no longer a spot 10 year swap. The next day, there is a new 10 year on-the-run swap.

# SDR Data – Distribution by all tenors – whole and partial

## Whole and Partial Tenors



### Distribution by Percentage

Swaps	Trade Count	Notional (M)
Partial Tenors	12%	11%
Whole Tenors	88%	89%
MAT Tenors	77%	78%

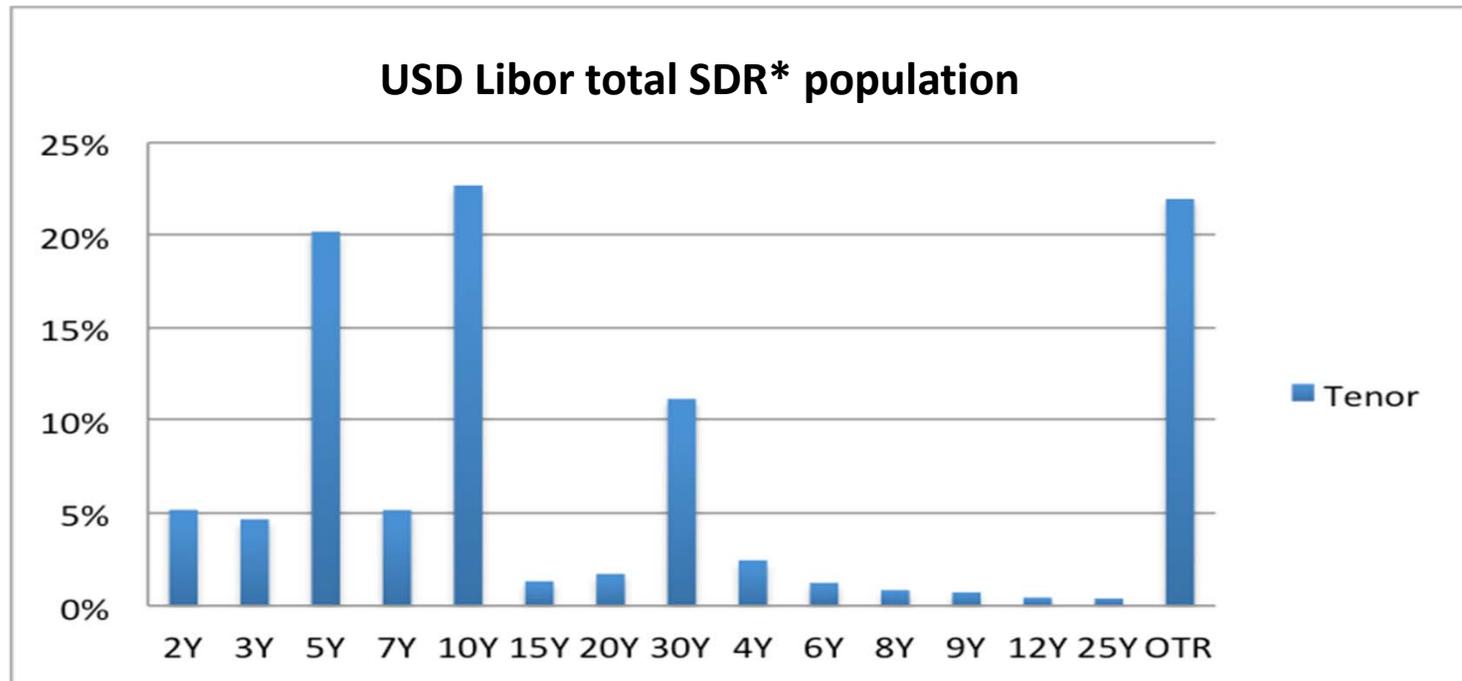
\* DTCC SDR data September 2013

### Distribution by Notional

Swaps	Trade Count	Notional (M)
Partial Tenors	1,743	95,446
Whole Tenors	13,289	801,915
MAT Tenors	11,625	702,329

\* Notional displayed in millions

# SDR Data – Standard USD Libor whole & non-integer year population



trueEX Whole Tenor MAT  
(72%)

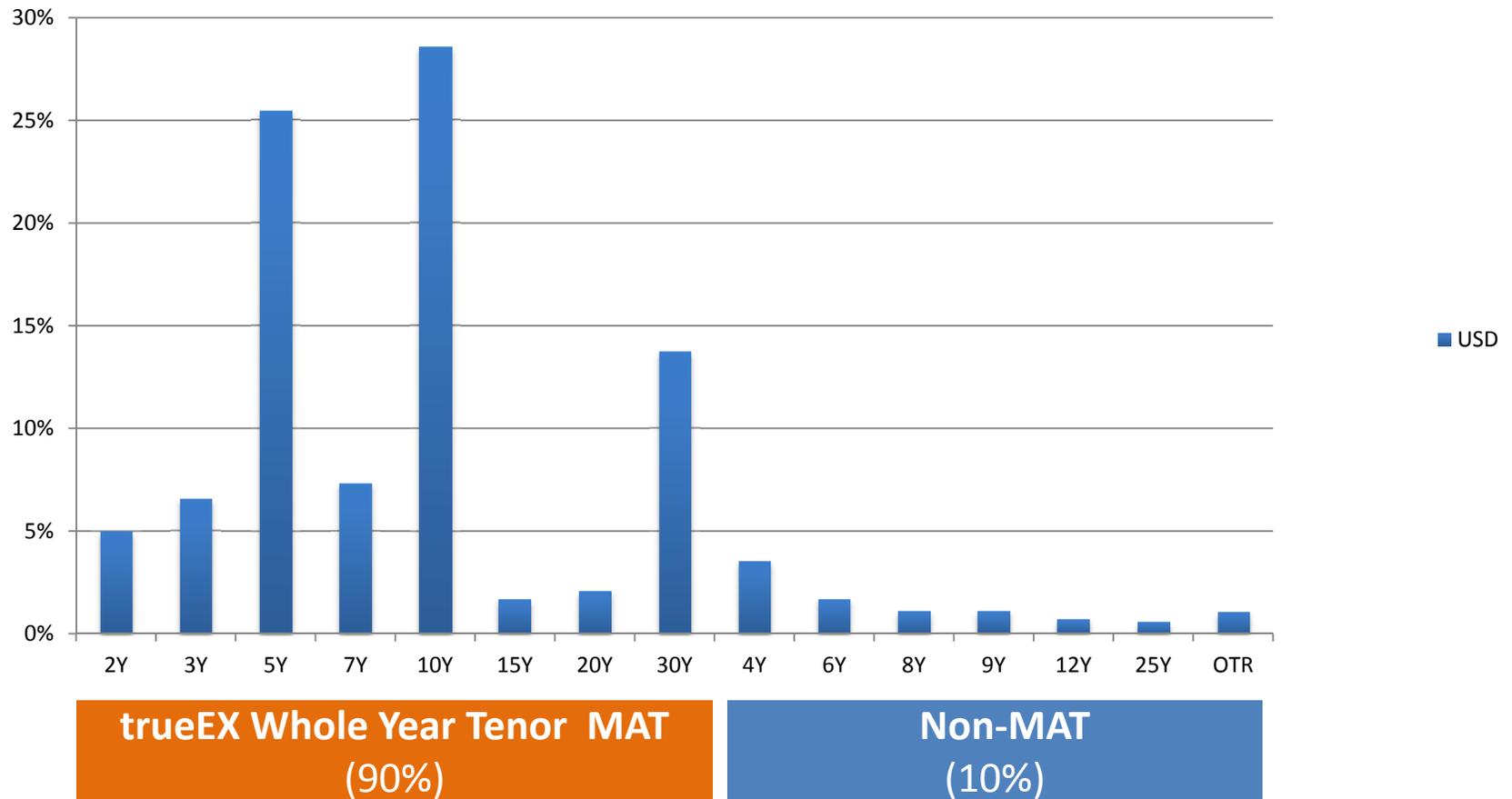
Non-MAT  
(28%)

- SDR data September 2013 includes forward starting, non-integer tenors and stubs
- Excludes 156 Non-Standard Index
- Excludes 2,720 Non-3 Month Libor frequencies

\* DTCC SDR data September 2013

# SDR Data –Standard USD Libor whole year population

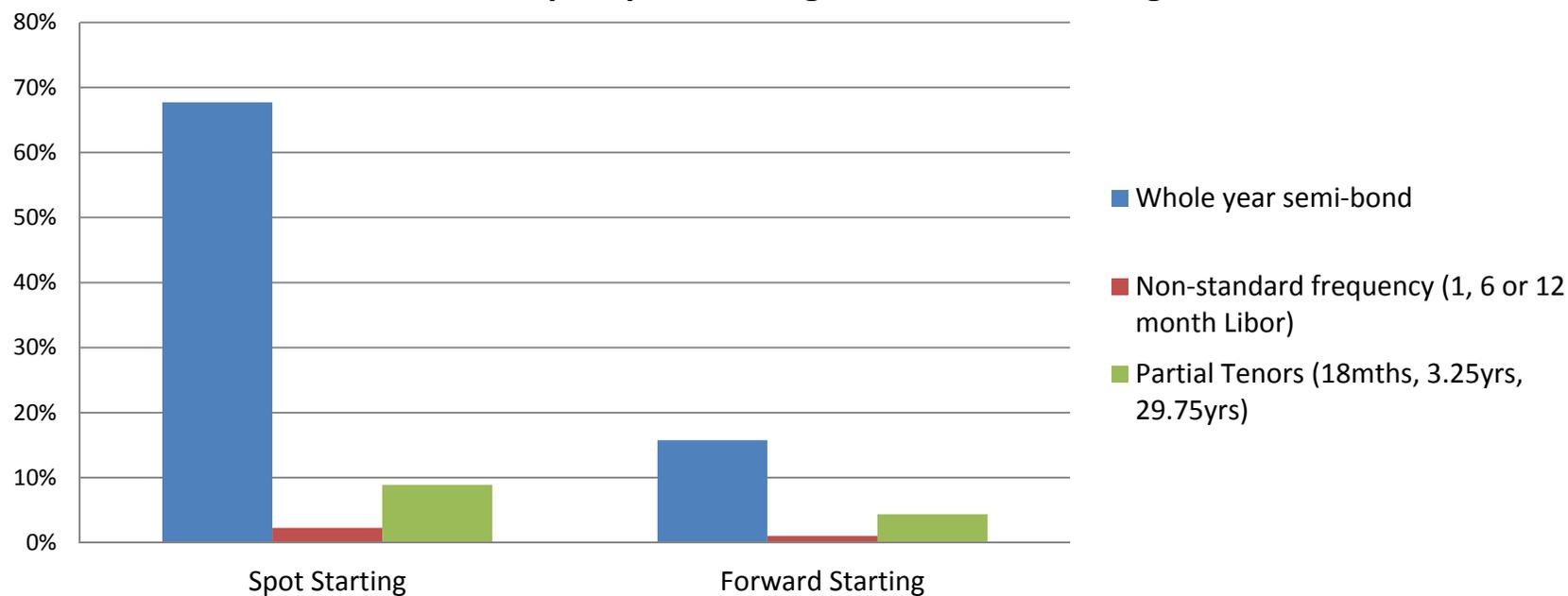
## Spot Starting Whole Year Trade Count\*



\* DTCC SDR data September 2013

# SDR Data – Spot Starting vs. Forward Starting

## Libor Swaps- Spot Starting vs. Forward Starting



### Distribution by Trade Count

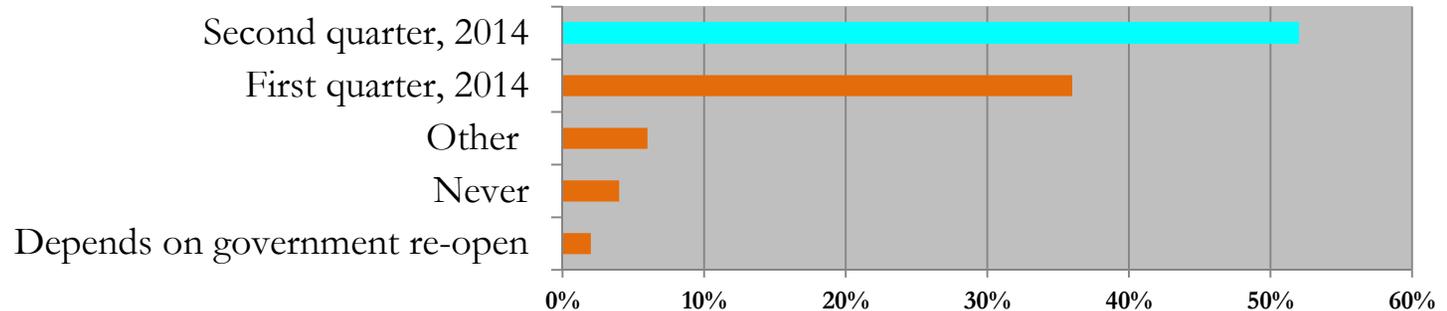
Swap Frequency	spot start	< 6m fwd start	> 6m fwd start	Total
Whole year	13,289	1,435	1,656	16,380
Non-3 mth libor frequency	446	115	88	649
Partial tenors	1,743	657	199	2,599
<b>Total</b>	<b>15,478</b>	<b>2,207</b>	<b>1,943</b>	<b>19,628</b>

\* DTCC SDR data September 2013

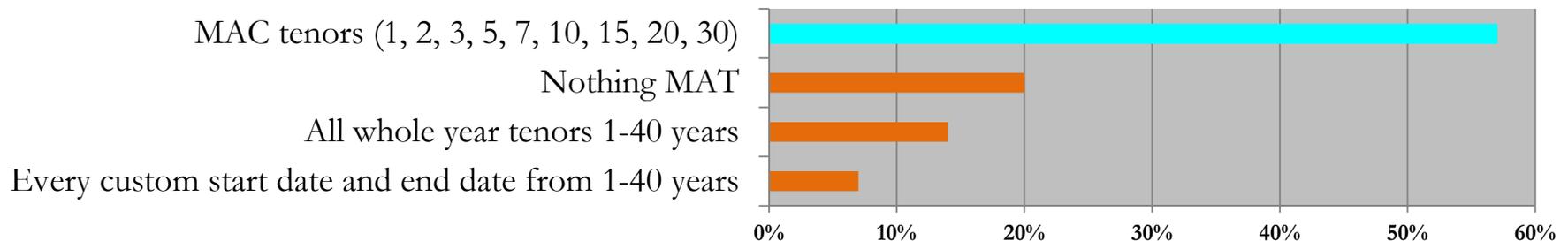
# Industry Survey Results

Clearing firms, buy-side firms and market makers were surveyed by trueEX (10/16/13) to solicit their views on electronic trading and MAT.\*

## 1. In your opinion, when will the market for Interest Rate Swaps be mature enough to support mandatory electronic trading?



## 2. What tenors would you like to see become MAT?



\*Respondent population: 60% buy-side (hedge funds, asset managers, insurance companies, mortgage companies), 31% market makers, 9% clearing firms. Over 40 firms responded.

# Current Industry Benchmarks

Tenors	Thompson Reuters ISDAFIX page 19901	USD Treasury Rates	trueEX Par-Coupon MAT Designation	ISDA – SIFMA MAC Proposal	trueEX SCSM MAT Designation
1 year	✓	✓		✓	✓
2 year	✓	✓	✓	✓	✓
3 year	✓	✓	✓	✓	✓
4 year	✓				
5 year	✓	✓	✓	✓	✓
6 year	✓				
7 year	✓	✓	✓	✓	✓
8 year	✓				
9 year	✓				
10 year	✓	✓	✓	✓	✓
12 year					
15 year	✓		✓	✓	✓
20 year	✓	✓	✓	✓	✓
25 year					
30 year	✓	✓	✓	✓	✓

# Why Every IRS Swap Combination Doesn't Make Sense to MAT

**Step 1:** Count every possible date combination of start and end date between today and 30 years

**Step 2:** Using the formula  $[n(n+1)]/2$  where  $n$  = number of days

**This yields 30 million unique swaps**



**Step 3: Account for other customizable attributes, such as:**

- **Basis:** 30/360, actual/360, actual/365
- **Frequency:** Annual, Semi-annual, Quarterly, Monthly
- **Index:** LIBOR, EURLIBOR, OIS, FED FUND
- **Currency:** USD, EUR, GBP, JPY

**Step 4:** Using the formula  $30\text{mm} \times 3 \times 4 \times 4 \times 4$

**This yields approximately 6 billion unique swaps**

**Conclusion:** Given the highly customizable nature of swaps, it certainly is NOT technologically and practically possible to capture and list every combination of start date and end dates, currencies, day counts, frequencies, float indices, or other customizable attributes and deem them all to be liquid (i.e., MAT).

## Non- MAT Distinctions

Unique swap types traded in combination that should  
**NOT** be MAT:

- **Compound swaps**
  - Switches (simultaneous exchange of 2 swaps) that includes a MAT swap
  - Spreads (treasury vs. a swap) that includes a MAT swap
  - Butterflies (3-leg swaps) that include MAT swaps
  - Invoice spreads (treasury future vs. a swap) that includes a MAT swap
  - Swaptions (option vs. a swap) that includes a MAT swap
- **Swap Portfolios**
  - Packages of swaps submitted for termination that include MAT swaps

# Considerations for Listing MAT\*

Factors to Consider	Support
<input type="checkbox"/> Whether there are ready and willing buyers and sellers	<ul style="list-style-type: none"> <li>➤ CFTC: <a href="http://www.cftc.gov/LawRegulation/DoddFrankAct/registerwapdealer">http://www.cftc.gov/LawRegulation/DoddFrankAct/registerwapdealer</a></li> <li>➤ LCH SwapClear: <a href="http://www.lchclearnet.com/membership/ltd/current_membership.asp">http://www.lchclearnet.com/membership/ltd/current_membership.asp</a></li> <li>➤ CME IRS: <a href="http://www.cmegroup.com/tools-information/clearing-firms.html">http://www.cmegroup.com/tools-information/clearing-firms.html</a></li> </ul>
<input type="checkbox"/> The frequency or size of transactions	<ul style="list-style-type: none"> <li>➤ BIS Quarterly Review, March 2013: <a href="http://www.bis.org/statistics/otcder/dt1920a.pdf">http://www.bis.org/statistics/otcder/dt1920a.pdf</a></li> <li>➤ SDR September 2013 Data: DTCC</li> <li>➤ LCH Swap Volumes: <a href="http://www.lchclearnet.com/swaps/volumes/default.asp">http://www.lchclearnet.com/swaps/volumes/default.asp</a></li> <li>➤ ISDA Survey: <a href="http://www.isda.org/statistics/pdf/ISDA-Market-Survey-annual-data.pdf">http://www.isda.org/statistics/pdf/ISDA-Market-Survey-annual-data.pdf</a></li> <li>➤ FRBNY Report: <a href="http://www.newyorkfed.org/research/staff_reports/sr557.pdf">http://www.newyorkfed.org/research/staff_reports/sr557.pdf</a></li> </ul>
<input type="checkbox"/> Trading volume	<ul style="list-style-type: none"> <li>➤ BIS Quarterly Review, March 2013: <a href="http://www.bis.org/statistics/otcder/dt1920a.pdf">http://www.bis.org/statistics/otcder/dt1920a.pdf</a></li> <li>➤ SDR September 2013 Data: DTCC</li> <li>➤ LCH Swap Volumes: <a href="http://www.lchclearnet.com/swaps/volumes/default.asp">http://www.lchclearnet.com/swaps/volumes/default.asp</a></li> <li>➤ ISDA Survey: <a href="http://www.isda.org/statistics/pdf/ISDA-Market-Survey-annual-data.pdf">http://www.isda.org/statistics/pdf/ISDA-Market-Survey-annual-data.pdf</a></li> <li>➤ FRBNY Report: <a href="http://www.newyorkfed.org/research/staff_reports/sr557.pdf">http://www.newyorkfed.org/research/staff_reports/sr557.pdf</a></li> </ul>
<input type="checkbox"/> The number and types of market participants	<ul style="list-style-type: none"> <li>➤ CFTC: <a href="http://www.cftc.gov/LawRegulation/DoddFrankAct/registerwapdealer">http://www.cftc.gov/LawRegulation/DoddFrankAct/registerwapdealer</a></li> <li>➤ LCH SwapClear: <a href="http://www.lchclearnet.com/membership/ltd/current_membership.asp">http://www.lchclearnet.com/membership/ltd/current_membership.asp</a></li> <li>➤ CME IRS: <a href="http://www.cmegroup.com/tools-information/clearing-firms.html">http://www.cmegroup.com/tools-information/clearing-firms.html</a></li> <li>➤ FRBNY Report: <a href="http://www.newyorkfed.org/research/staff_reports/sr557.pdf">http://www.newyorkfed.org/research/staff_reports/sr557.pdf</a></li> </ul>
<input type="checkbox"/> Bid/ask spread	<ul style="list-style-type: none"> <li>➤ 2 year : .25 bps to .75 bps &amp; at least \$200mm</li> <li>➤ 3 year : .25 bps to .75 bps &amp; at least \$150mm</li> <li>➤ 5 year : .25 bps to .75 bps &amp; at least \$100mm</li> <li>➤ 7 year : .25 bps to .75 bps &amp; at least \$75mm</li> <li>➤ 10 year : .25 bps to 1 bps &amp; at least \$50mm</li> <li>➤ 15 year : .25 bps to 1 bps &amp; at least \$50mm</li> <li>➤ 20 year : .25 bps to 1 bps &amp; at least \$50mm</li> <li>➤ 30 year : .25 bps to 1 bps &amp; at least \$25mm</li> </ul>
<input type="checkbox"/> The usual number of resting firm orders	<ul style="list-style-type: none"> <li>➤ trueEX affirms that it has entered into various agreements with certain market participants to provide firm bids and offers on MAT Contracts on its DCM.</li> </ul>

# trueEX USD Par-Coupon MAT Designation

trueEX		USD SEMI BOND - OUTRIGHTS & SWITCHES														
MARKET VIEWS		BLOCK / RFC	PTC	LIMITS	BLOTTERS									CANCEL ALL	SETTINGS	a_trader ↵
		2 200M	3 150M	4 100M	5 100M	6 100M	7 100M	8 100M	9 50M	10 50M	12 50M	15 50M	20 50M	25 20M	30 20M	
RCV FIXED																
PAY FIXED		0.649 @CME	1.084 @CME	1.541 @CME	1.938 @CME	2.281 @CME	2.534	2.784 @CME	2.965 @CME	3.116 @CME	3.349 @CME	3.568 @CME	3.735 @CME	3.810	3.854 @CME	
		0.646 @CME 100M	1.079 @CME 75M	1.539 @CME 75M	1.894	2.279 @CME 50M	2.519	2.781 @CME	2.963 @CME 25M	3.112 @CME 25M	3.345 @CME 25M	3.564 @CME 100M	3.732 @CME 10M	3.798	3.853 @CME 25M	
	2x	43.4 43.1	88.9 85.3	128.4 128.2	164.0 162.5	190.4 190.2	212.8 212.6	231.0 230.8	245.9 245.7	269.4 268.4	291.4 291.2	308.1 307.9	314.1 313.1	320.0 319.8		
	3x	45.9 45.7	85.4 85.2	119.6 119.4	147.3 147.1	169.7 169.5	187.9 187.7	202.8 202.6	226.3 226.1	248.3 247.3	265.1 264.9	271.0 270.8	277.0 276.8			
	5x		34.4 34.2	62.0 61.8	84.4 84.2	102.6 102.4	117.5 117.3	141.0 140.0	163.0 162.8	179.8 179.6	185.7 185.5	191.7 191.5	128.4 @CME	117.5 @CME	23.6 @CME	74.4 @CME
	7x			22.5 22.3	42.4 40.5	55.6 55.4	82.4 78.9	101.2 101.0	117.9 117.7	123.9 123.7	129.9 129.7	128.2 @CME	117.3 @CME	22.6	73.4	
	8x				18.3 18.1	35.4 33.0	56.7 56.5	78.8 78.6	95.5 95.3	106.3 101.3	107.5 107.3					
	10x					23.6 22.6	45.6 45.4	62.4 61.4	72.3 68.2	74.4 73.4						

- USD
- Semi-Bond Outrights
- Spot-starting
- Fixed Day Frequency: Semi Annual 30/360 vs. 3 month Libor
- Float Day Frequency: Quarterly act/360
- Business Day Convention : Modified Following
- Holiday Schedule – NY/LDN
- Whole year maturities: 2, 3, 5, 7, 10, 15, 20, 30

- ❖ Direct API connectivity to LCH and CME for Clearing
- ❖ Pre-trade Clearing Certainty (Credit limits established by Clearing Firms prior to posting of orders)
- ❖ Anonymous Central Limit Order Book (CLOB)
- ❖ Block Facility (disclosed counterparty)

# trueEX USD SCSM (MAC-style) MAT Designation

**trueEX** USD SCSM OUTRIGHTS (ON THE RUN SERIES)

MARKET VIEWS BLOCK / OTR LIMITS BLOTTERS CANCEL ALL SETTINGS trader\_a ↗

		JUNE 2013 (M13)										CLOSE		
		1	2	3	5	7	10	RCV	20	30				
		100M 0.50%	100M 0.50%	75M 0.50%	50M 1.00%	50M 1.25%	25M 2.00%	● 100M	25M 2.50%	10M 2.75%				
		○ 150M									○ 200M			
		○ custom												
PAY FIXED				50M CME 370										
	50M CME 570			100M LCH 365										
	100M LCH 565			100M CME 360										
	50M CME 560		50M CME 890	50M CME 335	50M CME 890	100M LCH 365	50M CME 570	50M CME 570	50M CME 570	50M CME 890	100M LCH 885			
	100M CME 560		100M LCH 885	100M CME 360	100M LCH 365	100M LCH 885								
	50M CME 370	50M CME 370	50M CME 370	50M CME 370	50M CME 370	50M CME 370	50M CME 370	50M CME 370	50M CME 370	50M CME 370	50M CME 370			
	100M LCH 365	100M LCH 365	100M LCH 365	100M LCH 365	100M LCH 365	100M LCH 365	100M LCH 365	100M LCH 365	100M LCH 365	100M LCH 365	100M LCH 365			
	100M CME 360	100M CME 360	100M CME 360	100M CME 360	100M CME 360	100M CME 360	100M CME 360	100M CME 360	100M CME 360	100M CME 360	100M CME 360			
	50M CME 355	50M CME 355	50M CME 355	50M CME 355	50M CME 355	50M CME 355	50M CME 355	50M CME 355	50M CME 355	50M CME 355	50M CME 355			
	103.500	99.875	102.250	102.250	102.250	100.875	99.500	101.625	102.250					
	● CME	● CME	● CME	● CME	● CME	● CME	● CME	● CME	● CME	● CME	● CME			
RCV FIXED		102.750	99.250	101.250	101.250	101.250	100.250	99.125	101.375	101.375				
	● CME	● CME	● CME	● CME	● CME	● CME	● CME	● CME	● CME	● CME	● CME			
	50M	50M	50M	50M	50M	50M	50M	50M	50M	50M	50M			
	50M CME 370	50M CME 370	50M CME 370	50M CME 370	50M CME 370	50M CME 370	50M CME 370	50M CME 370	50M CME 370	50M CME 370	50M CME 370			
	100M LCH 365	100M LCH 365	100M LCH 365	100M LCH 365	100M LCH 365	100M LCH 365	100M LCH 365	100M LCH 365	100M LCH 365	100M LCH 365	100M LCH 365			
	100M CME 360	100M CME 360	100M CME 360	100M CME 360	100M CME 360	100M CME 360	100M CME 360	100M CME 360	100M CME 360	100M CME 360	100M CME 360			
	50M CME 355	50M CME 355	50M CME 355	50M CME 355	50M CME 355	50M CME 355	50M CME 355	50M CME 355	50M CME 355	50M CME 355	50M CME 355			

		SEPTEMBER 2013 (U13)											
		1	2	3	5	7	10	15	20	30			
		100M 0.50%	100M 0.50%	75M 0.50%	50M 1.25%	50M 1.75%	25M 2.25%	25M 2.75%	25M 2.75%	10M 3.00%			
				50M CME 370									
	50M CME 570			100M LCH 365									
	100M LCH 565			100M CME 360									
	100M CME 560			100M LCH 885									
	50M CME 370	50M CME 370	50M CME 370	50M CME 370	50M CME 370	50M CME 370	50M CME 370	50M CME 370	50M CME 370	50M CME 370	50M CME 370		
	100M LCH 365	100M LCH 365	100M LCH 365	100M LCH 365	100M LCH 365	100M LCH 365	100M LCH 365	100M LCH 365	100M LCH 365	100M LCH 365	100M LCH 365		
	100M CME 360	100M CME 360	100M CME 360	100M CME 360	100M CME 360	100M CME 360	100M CME 360	100M CME 360	100M CME 360	100M CME 360	100M CME 360		
	50M CME 355	50M CME 355	50M CME 355	50M CME 355	50M CME 355	50M CME 355	50M CME 355	50M CME 355	50M CME 355	50M CME 355	50M CME 355		
	103.500	99.875	102.250	102.250	102.250	100.875	99.500	101.625	102.250				
	● CME	● CME	● CME	● CME	● CME	● CME	● CME	● CME	● CME	● CME	● CME		
	102.750	99.250	101.250	101.250	101.250	100.250	99.125	101.375	101.625	101.625			
	● CME	● CME	● CME	● CME	● CME	● CME	● CME	● CME	● CME	● CME	● CME		
	50M	50M	50M	50M	50M	50M	50M	50M	50M	50M	50M		
	50M CME 370	50M CME 370	50M CME 370	50M CME 370	50M CME 370	50M CME 370	50M CME 370	50M CME 370	50M CME 370	50M CME 370	50M CME 370		
	100M LCH 365	100M LCH 365	100M LCH 365	100M LCH 365	100M LCH 365	100M LCH 365	100M LCH 365	100M LCH 365	100M LCH 365	100M LCH 365	100M LCH 365		
	100M CME 360	100M CME 360	100M CME 360	100M CME 360	100M CME 360	100M CME 360	100M CME 360	100M CME 360	100M CME 360	100M CME 360	100M CME 360		
	50M CME 355	50M CME 355	50M CME 355	50M CME 355	50M CME 355	50M CME 355	50M CME 355	50M CME 355	50M CME 355	50M CME 355	50M CME 355		

UAT Version 1.7.X (S 1.7.X)  
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- **USD**
- **Outrights**
- **Forward-starting IMM start date**
- **Fixed Day Frequency:**  
Semi-annual 30/360 vs. 3 month Libor
- **Float Day Frequency:**  
Quarterly act/360
- **Holiday Schedule:**  
NY/LDN
- **2 IMM Series**
- **Roll/End Date Convention:**  
Standard roll/end date convention. Roll day and end date will be the same date of the month as the start date (eg if start date is June 20, 2014, roll and end date will be the 20<sup>th</sup> of the applicable month).
- **Whole year maturities:**  
1, 2, 3, 5, 7, 10, 15, 20, 30

- ❖ Standardization improves transparency and promotes liquidity in IRS market
- ❖ Correlates with US Treasury instruments
- ❖ Market rates published by US Treasury Department daily
- ❖ Compression ability: pre-set terms like start and end dates, payment dates, fixed coupons, currencies and maturities allows for position netting and potential favorable margin at Clearing Houses

## Summary: trueEX MAT Designation

trueEX Par-Coupon Swaps MAT Designation	trueEX SCSM (MAC-style) Swaps MAT Designation
➤ USD	➤ USD
➤ Whole year maturities only (8): 2, 3, 5, 7, 10, 15, 20, 30	➤ Whole year maturities only (9): 1, 2, 3, 5, 7, 10, 15, 20, 30  ➤ 2 IMM Series
➤ Semi-Bond Outrights ONLY	➤ Outrights ONLY
➤ No switches, spreads, butterflies, invoice spreads, swaptions or swap portfolios to be MAT.	➤ No switches, spreads, butterflies, invoice spreads, swaptions or swap portfolios to be MAT.
➤ Spot-starting	➤ Forward-starting
➤ Fixed Day Frequency: Semi-annual 30/360 vs. 3 month Libor	➤ Fixed Day Frequency: Semi-annual 30/360 vs. 3 month Libor
➤ Float Day Frequency: Quarterly actual/360	➤ Float Day Frequency: Quarterly actual/360
➤ Roll Convention: Standard	➤ Roll/End Date Convention: Standard roll/end date convention. Roll day and end date will be the same date of the month as the start date (eg if start date is June 20, 2014, roll and end date will be the 20 <sup>th</sup> of the applicable month).
➤ Holiday Schedule & Business Day Convention: NY/LDN, Modified Following	➤ Holiday Schedule & Business Day Convention: NY/LDN, Modified Following