From: rmay@loomlearning.com on behalf of Raymond May <rmay@odexgroup.com>
Sent: Monday, February 21, 2011 3:02 PM
To: SEFRules <SEFRules@CFTC.gov>
Subject: Introducing ODEX
Attach: ODEX_Presentation_jan2011_CFTC.pdf

Ananda Radhakrishnan
Director,
Division of Clearing and Intermediary Oversight (DCIO)
CFTC
ARadhakrishnan@cftc.gov

Dear Mr Radhakrishnan,

I attach a short presentation on ODEX, a SEF. We are happy to share the workings of ODEX with the CFTC staff at any time.

Your Sincerely,

ODEX
The Future of Derivatives Trading

R Raymond May
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ODEX

The Future of Derivatives Trading

2/1/2011

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ODEX to register as:

SWAP EXECUTION FACILITY — means a facility trading system or platform in which multiple participants have the ability to execute or trade swaps by accepting bids and offers made by other participants that are open to multiple participants in the facility or system

– SEC. 733. SWAP EXECUTION FACILITIES

SEF Definition and Registration Requirements

The Commission proposes to implement the definition of SEF under CEA Section 1a(50) and the registration requirements under CEA Section 5h by:

- Requiring SEFs to provide a basic functionality that gives all market participants the option to post both firm and indicative quotes to multiple parties, including all other parties participating in the SEF; and
- Providing that SEFs have the option to deploy any trading system or platform that provides the basic functionality noted above, including request for quote systems or order books.

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ODEX : The SEF developed on Current Technology

In 2009 the "Blackbird" Team rejoined to develop a new derivatives trading platform in expectation of a new regulatory landscape.

First release OF platform Dec 2010, preparation for Final rules in Q2 2011 Launch.

Version 1.0 platform includes:

- Central Limit Order Book – i.e. a matching engine
- RFQ – Request for Quote
- RFI – Request for Indication
- Linkage to CCP
- Interest Rate Swaps and Credit Default Swaps
- FRAs and OIS
- Fully secure web-deployed architecture
- Flexible role-based permission structures
- All OTC definitions
- Ease of implementation – no firewall issues

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ODEX - The Architecture

Web Interface for End Users

- Buy / Sell Exchange Cleared Products
- Risk Management Tools
- Access to Offset Model
- RFQ
- Spread and Butterfly Trading
- Authentication / Security

Web / Application Interface for Brokers

- White Board / Voice Assisted Trading
- Trade on Behalf of Clients
- Access to Offset Model
- RFQ
- Spread and Butterfly Discovery
- Confirmation Process
- Billing Services
- Offline Order Entry
- Authentication / Security

Web / Application Interface for Dealers

- API for Market Making
- Access to Offset Model
- RFQ
- Manual Trading
- Data Access
- Authentication / Security

ODEX Business Services

- Matching Engine
- Offset Model
- FpML Interface to CH
- FIXML Interface to CH
- Markit Interface
- Interface to FCM
- RFQ Engine
- Trade Date Transfer to Trade Repository
- Instrument Definitions
- Back-Office Integration
- Synthetic Price Generator
- Customer Client Database
- Multi-Dealer Hosting
- Customer Db
- User Help

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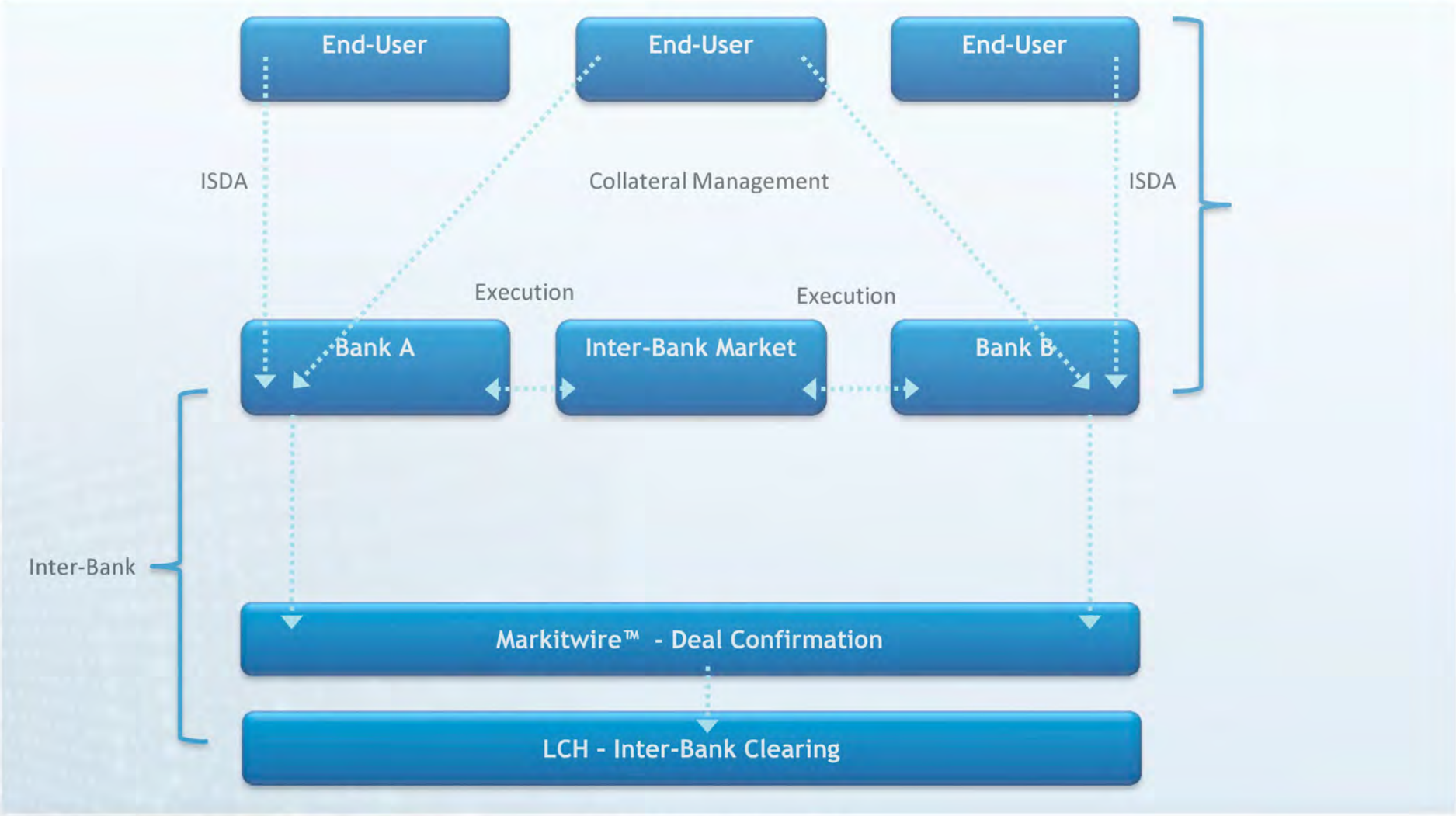
OLD Market Structure



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New Market Structure

- No ISDAs
- No CSA

- New Definitions
  - DCO, DCM, SEF, SDR
  - Swap Dealer
  - Major Swap Participants
  - Eligible Contract Participant

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ODEX in the New Landscape

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Development Roadmap

Core Functionality Phased Release Schedule

Raise Seed capital

Sept 2010 Beta Release

- System Architecture
- Authentication / Security
- Alpha Client Deployment
- Core Trading Platform
- IRS Support
- Order Book / Trade Book

Feb 2011 ODEX 1.0

- FRA / OIS Support
- Request For Quote
- Synthetic Price Display
- IDCG Integration
- IDCG Backloading
- Live Chat
- Admin Interface
- Market Data Interface

June 2011 ODEX 1.1

- Market Making API
- Bilateral RFQ & Backloading
- RFI
- Allocations
- Block Trading
- Trade Workup
- FpML Generation
- Automatching
- Circuit Breakers
- Live Market Support

Oct 2011 ODEX 1.2

- MarkitWire Integration
- SDR Integration
- Trade Amendment
- Auto Confirms
- Accounting & Invoicing
- Help Desk Infrastructure
- Advanced Backoffice
- Synthetic Execution

New Products (CDS, etc)
New Integration (CME, etc)
New Services Offset Model, Risk Management Tools

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ODEX :

ODEX WILL ADHERE TO SEF REGULATION CORE PRINCIPALS

CONFLICTS OF INTEREST

- ODEX is a private C Corporation registered in the State of Delaware
- Governance and Ownership will adhere to the Final Rules
- Final fund raising dependent on Final Rules

ODEX WILL BE CLEARING HOUSE AGNOSTIC

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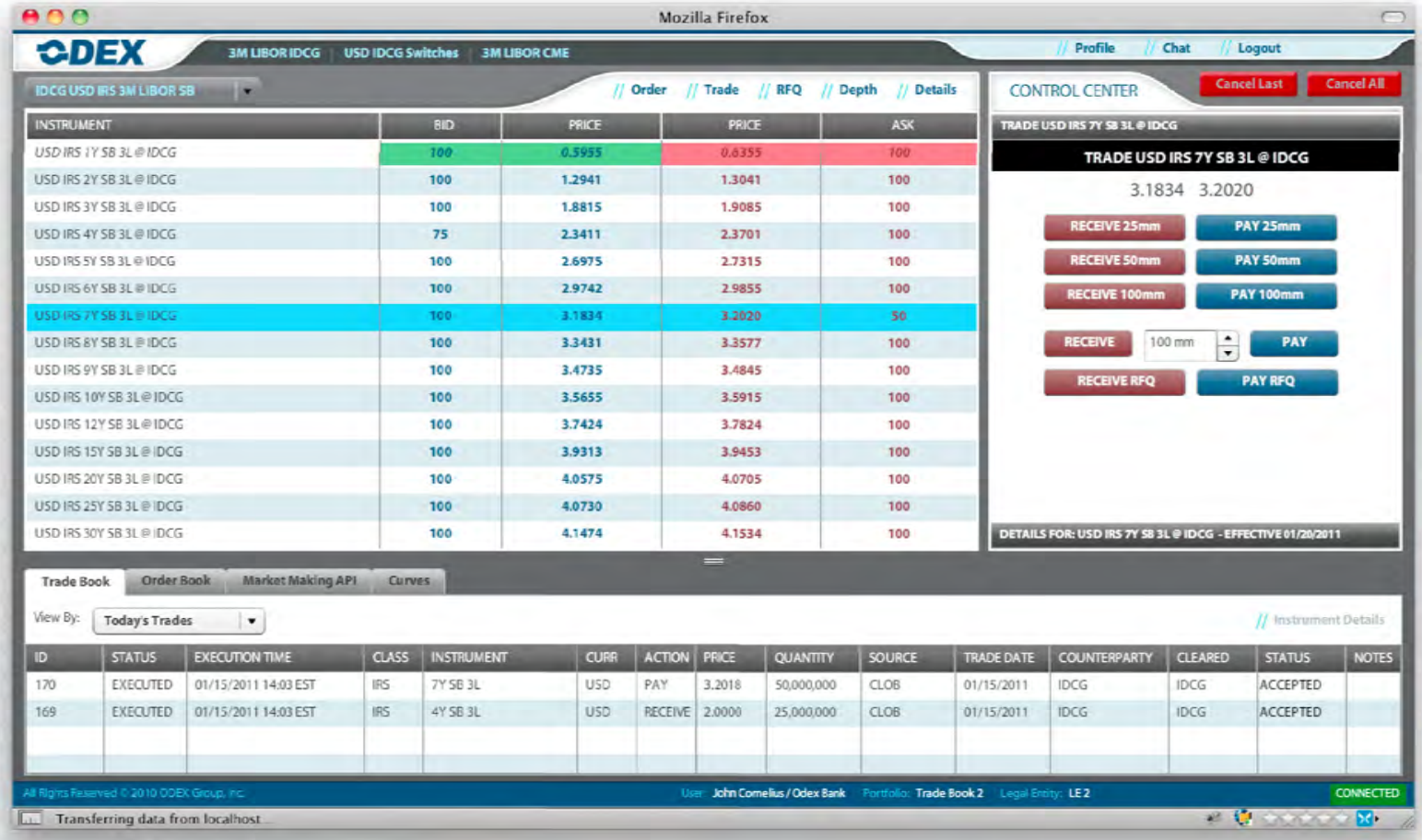
Beta Release of ODEX Interface



INSTRUMENT	BID	PRICE	PRICE	ASK
USD IRS 1Y SB 3L @ IDCG	100	0.5955	0.6355	100
USD IRS 2Y SB 3L @ IDCG	100	1.2941	1.3041	100
USD IRS 3Y SB 3L @ IDCG	100	1.8815	1.9085	100
USD IRS 4Y SB 3L @ IDCG	75	2.3411	2.3701	100
USD IRS 5Y SB 3L @ IDCG	100	2.6975	2.7315	100
USD IRS 6Y SB 3L @ IDCG	100	2.9742	2.9855	100
USD IRS 7Y SB 3L @ IDCG	100	3.1834	3.2020	50
USD IRS 8Y SB 3L @ IDCG	100	3.3431	3.3577	100
USD IRS 9Y SB 3L @ IDCG	100	3.4735	3.4845	100
USD IRS 10Y SB 3L @ IDCG	100	3.5655	3.5915	100
USD IRS 12Y SB 3L @ IDCG	100	3.7424	3.7824	100
USD IRS 15Y SB 3L @ IDCG	100	3.9313	3.9453	100
USD IRS 20Y SB 3L @ IDCG	100	4.0575	4.0705	100
USD IRS 25Y SB 3L @ IDCG	100	4.0730	4.0860	100
USD IRS 30Y SB 3L @ IDCG	100	4.1474	4.1534	100

ID	STATUS	EXECUTION TIME	CLASS	INSTRUMENT	CURR	ACTION	PRICE	QUANTITY	SOURCE	TRADE DATE	COUNTERPARTY	CLEARED	STATUS	NOTES
170	EXECUTED	01/15/2011 14:03 EST	IRS	7Y SB 3L	USD	PAY	3.2018	50,000,000	CLOB	01/15/2011	IDCG	IDCG	ACCEPTED	
169	EXECUTED	01/15/2011 14:03 EST	IRS	4Y SB 3L	USD	RECEIVE	2.0000	25,000,000	CLOB	01/15/2011	IDCG	IDCG	ACCEPTED	

Client Interface
Browser Based: Display Prices, Blotter, CLOB, RFQ, Chat, Help, Tape etc.

Broker Interface
Hybrid Trading, Spreads, Butterflies, RFQ etc.

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Who is ODEX?

R RAYMOND MAY
CEO
Founder

JOHN CORNELIUS
President
Founder

GARY SOLOMON
Chief Technology Officer
Founder

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Our Accomplishments

RAYMOND MAY led a small team at JP Morgan from 1986 to 1992 that developed JP Morgan's back office, Mark to Market, credit management, risk management and pricing models. From 1992 to 1997 Raymond traded derivatives in NY as head of US rates. He left in 1997 to found Blackbird, where he developed an inter-dealer swaps trading platform. Raymond has written 25 patents, four have issued. Raymond is also the founder of Loom Learning, an educational software firm and GRN Charlotte, a financial recruiting firm.

JOHN CORNELIUS has extensive experience designing highly available, scalable and secure systems for real time electronic trading, having managed Blackbird's technology and deployment strategy and implementation as CTO for 13 years. John is also co-founder of Wide Open Technologies, a consulting firm specializing in service-oriented architectures, cloud-based integrations, and e-commerce.

GARY SOLOMON was a principal architect and developer of Blackbird's electronic trading system. Having spent 13 years leading Blackbird's technology efforts as Director of Technology, he has wide ranging experience in the electronic trading and settlement of interest rate derivatives, and FpML integration. Gary is also co-founder of Wide Open Technologies.

Non-Executive Board Member
JOHN CORRIE worked at JPMorgan from 1985 to 2006. John is an international investment banking executive with substantial multi cultural experience of blue chip developed and emerging environments. John was a member of the JPMorgan Chase Executive Committee and Investment Bank Management Committee. Key avenues of experience include managing equity and fixed income sales and trading businesses and international capital markets.

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Appendices:

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	ODEX/CCP	OTC Bilateral Trade
Pre-Trade	• Sign an ETA with ODEX and register with the CFTC as a Swap Dealer or Major Swap participant • Establish relationship with a clearing member (Currently Newedge, MF Global) • Provide initial margin	• Negotiating master agreements is a prerequisite - ISDA Agreement - Collateral Agreement • Counterparty credit review • Establish credit and trading limits
Trade	• Execute trade on ODEX for clearing via IDCG • Transparent market	• Two parties agree to transaction - Usually over the telephone - Potential for asymmetric information among participants - Price quoted at bid or offer of Dealer
Post-Trade	• Trade details sent automatically for clearing • Position is marked-to-market and margin account is adjusted • Settlement bank handles cash flows	• Trade capture - Manual or automated • Economic affirmation - Counterparties verify key economic details • Confirmations required - Either one party provides trade details and the other verifies; or both parties submit trade details and both parties match confirm

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What is Blackbird?

Founded by Raymond May in 1996 to create a inter-dealer OTC derivatives platform.

Raised >$50mm

Moved to a voice platform with a buy of GFI's voice broking business

Found major resistance from dealers for it's electronic platform

Raymond May left in 2000

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"Wall Street Transparency and Accountability Act of 2010"

CREATING TRANSPARENCY AND ACCOUNTABILITY FOR DERIVATIVES

Closes Regulatory Gaps: Provides the SEC and CFTC with authority to regulate over-the-counter derivatives so that irresponsible practices and excessive risk-taking can no longer escape regulatory oversight.

Central Clearing and Exchange Trading: Requires central clearing and exchange trading for derivatives that can be cleared and provides a role for both regulators and clearing houses to determine which contracts should be cleared. Requires the SEC and the CFTC to pre-approve contracts before clearing houses can clear them.

Market Transparency: Requires data collection and publication through clearing houses or swap repositories to improve market transparency and provide regulators important tools for monitoring and responding to risks.

Regulates Foreign Exchange Transactions: Foreign exchange swaps will be regulated like all other Wall Street contracts. At $60 trillion, this is the second largest component of the swaps market and must be regulated.

(Dodd-Frank Wall Street Reform: Conference Report Summary)

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Reg: **Execution Requirement**

The Commission proposes to implement the execution requirement under CEA Section 2(h)(8) by:
Allowing Required Transactions to be traded on Request for Quote Systems or Order Books
• Required Transactions:
o Are subject to the clearing and execution requirements under the CEA;
o Are made available for trading; and
o Are not block trades.

• Request for Quote Systems include:

o Trading systems or platforms in which a market participant must transmit a request for a quote to buy or sell a specific instrument to no less than five market participants in the trading system or platform, to which all such market participants may respond. Any bids or offers resting on the trading system or platform pertaining to the same instrument must be taken into account and communicated to the requester along with the responsive quotes;
o Trading systems or platforms in which multiple market participants can both:
▫ View real-time electronic streaming quotes, both firm and indicative, from multiple potential counterparties on a centralized electronic screen; and
▫ Have the option to complete a transaction by:
Accepting a firm streaming quote; or
Transmitting a request for quote to no less than five market participants, based upon an indicative streaming quote, taking into account any resting bids or offers that have been communicated to the requester along with any responsive quotes.
o Any such other trading system or platform as may be determined by the Commission.
• Order Books include:
o Electronic trading facilities as defined under the CEA;
o Trading facilities as defined under the CEA;
o Trading systems or platforms in which all market participants in the trading system or platform can enter multiple bids and offers, observe bids and offers entered by other market participants, and choose to transact on such bids and offers; and
o Any such other trading system or platform as may be determined by the Commission.

Sourse
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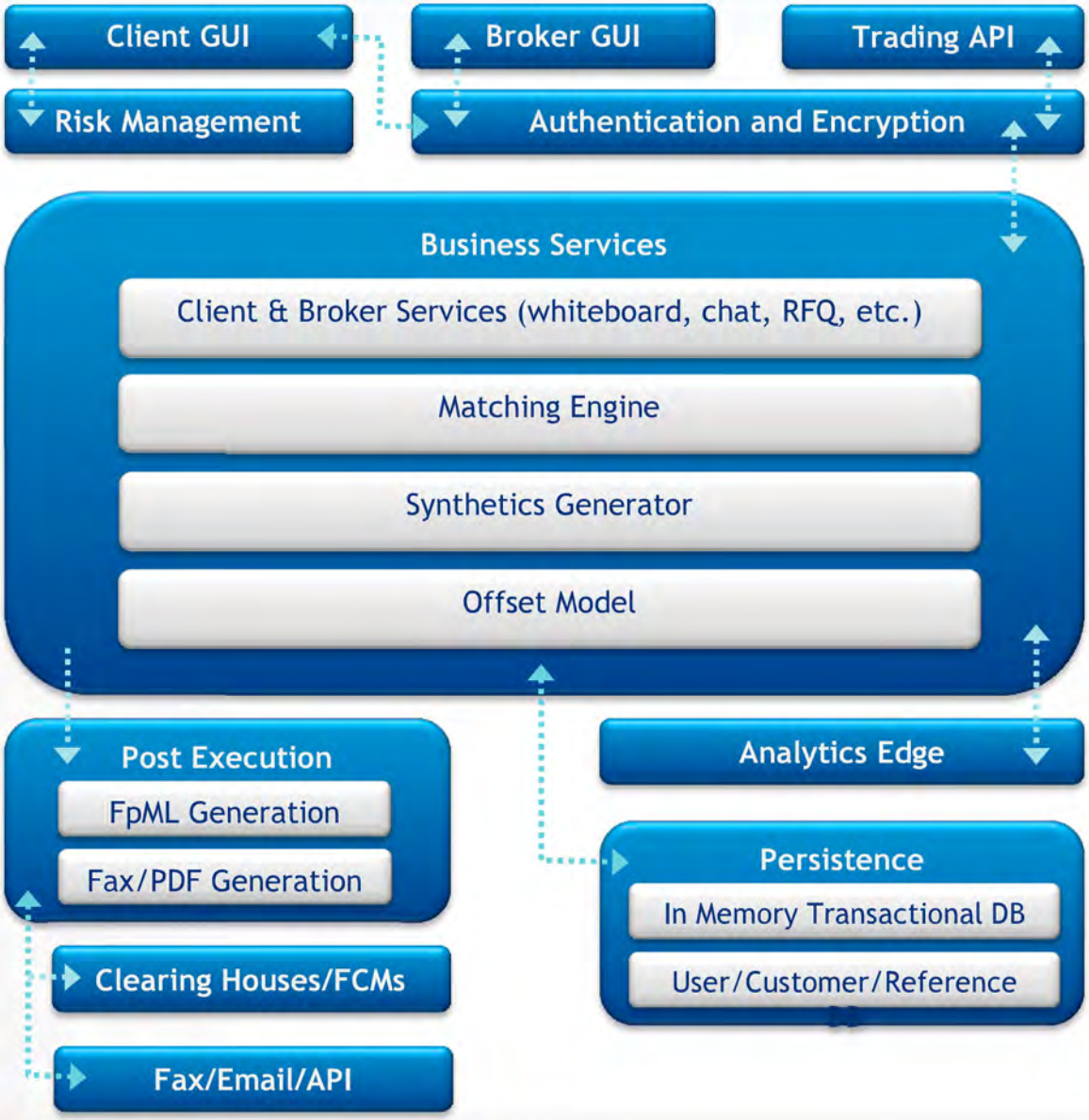

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End

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