

SUBMISSION COVER SHEET

Registered Entity Identifier Code (optional) 2013-R-9

Date: 12/05/2013

IMPORTANT: CHECK BOX IF CONFIDENTIAL TREATMENT IS REQUESTED.

ORGANIZATION

Bloomberg SEF LLC

FILING AS A:

DCM

SEF

DCO

SDR

ECM/SPDC

TYPE OF FILING

• Rules and Rule Amendments

Certification under § 40.6 (a) or § 41.24 (a)

“Non-Material Agricultural Rule Change” under § 40.4 (b)(5)

Notification under § 40.6 (d)

Request for Approval under § 40.4 (a) or § 40.5 (a)

Made Available To Trade Determination under § 40.5 or § 40.6

Advance Notice of SIDCO Rule Change under § 40.10 (a)

• Products

Certification under § 40.2 (a) or § 41.23 (a)

Submission under § 39.5

Swap Class Certification under § 40.2 (d)

Request for Approval under § 40.3 (a)

Novel Derivative Product Notification under § 40.12 (a)

RULE NUMBERS

n/a

DESCRIPTION

Pursuant to Section 5c(c) of the Commodity Exchange Act (the “Act”), Bloomberg SEF LLC hereby self-certifies to the Commodity Futures Trading Commission (the “Commission”) its determination that the credit and interest rate contracts described in Exhibit A herein should be made available to trade as set forth in Section 2(h)(8) of the Act and Section 37.10 of the Commission’s regulations.

Bloomberg SEF LLC
731 Lexington Avenue
New York, NY 10022

December 5, 2013

Submitted via email

Melissa Jurgens
Office of the Secretariat
U.S. Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st Street, N.W.
Washington, D.C. 20581
via email: secretary@cftc.gov

Re: Bloomberg SEF LLC – Made Available to Trade (“MAT”) Submission of Certain Credit Default Swaps (“CDS”) and Interest Rate Swaps (“IRS”) pursuant to Commodity Futures Trading Commission (the “Commission”) Regulation 40.6 (submission #2013- R-9)

Dear Ms. Jurgens:

Bloomberg SEF LLC (“Bloomberg SEF”) operates as a temporarily registered swap execution facility (“SEF”). Pursuant to Section 5c(c) of the Commodity Exchange Act (the “Act”) and Section 40.6(a) of the regulations of the Commission, Bloomberg SEF hereby self-certifies to the Commission its determination that the credit and interest rate contracts described in Exhibit A hereto (the “Proposed MAT Contracts”) should be made available to trade as set forth in Section 2(h)(8) of the Act and Section 37.10 of the Commission’s regulations. Bloomberg SEF’s certification shall be effective 10 business days after the Commission receives this submission, absent a stay by the Commission of such effective date.

The Proposed MAT Contracts cover the following swaps:

1. CDS (the “Proposed CDS MAT Contracts”)
 - CDX.NA.IG 5Y: The then current On-The-Run series
 - iTraxx Europe 5Y: The then current On-The-Run series
2. IRS (the “Proposed IRS MAT Contracts”)
 - USD LIBOR IRS with 2, 3, 5, 7, 10, 15, 20 and 30-year tenors: Fixed Notional, Spot Starting and Par only
 - EUR EURIBOR IRS with 2, 3, 5, 7, 10, 15, 20 and 30-year tenors: Fixed Notional, Spot Starting and Par only.

A. Statutory Background

Section 723(a)(3) of the Dodd-Frank Act added section 2(h)(8) of the Act to require that swap transactions subject to the clearing requirement must be traded (the “trade execution requirement”) on either a designated contract market (“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).¹ On June 4, 2013, the

¹ *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) (hereinafter, *Process for MAT*).

Commission published final regulations implementing the trade execution requirement (the “MAT Rule”), which, among other things, set forth six factors that a SEF should consider, as appropriate, when making a swap available to trade.² 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;
- (4) the number and types of market participants;
- (5) the bid/ask spread; and
- (6) the usual number of resting firm or indicative bids and offers.

In addition to these 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 that offers the swap for trading,³ 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.”

The remainder of this MAT determination addresses the listing requirement of the MAT Rule and an analysis of the factors enumerated in the MAT Rule considered by Bloomberg SEF in making its determination that the Proposed MAT Contracts are available to trade in light of industry and Bloomberg SEF data.

B. Listing Requirement

Sections 37.10(a)(2) of the Commission’s regulations require a SEF to demonstrate that it has listed or offered for trading the swap for which it is submitting an available to trade determination.⁴ In September and October of 2013, Bloomberg SEF self-certified certain CDS and IRS contracts (collectively, the “Listed Contracts”) pursuant to Commission regulation 40.2(a).⁵ Upon effectiveness of the self-certifications, the Listed Contracts were listed for trading. As of the date of this MAT determination, the Listed Contracts continue to be listed for trading by Bloomberg SEF and duly certified with the Commission. The Proposed MAT Contracts comprised part of the Listed Contracts, and were submitted separately for certification pursuant to Commission regulation 40.2(a) on November 1, 2013.

C. Factors Considered

Section 37.10(b) of the Commission’s regulations require a SEF 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 Act. The Commission has stated its belief “that no single factor must always be considered, nor must a SEF . . . consider more than one factor in a determination”⁶ and concluded, “satisfying any one of the determination factors would sufficiently indicate that the contract is available to trade.”⁷ Further, the Commission determined in the MAT Rule that a SEF may consider activity in the same swap listed on

² See generally 17 C.F.R. § 37.10.

³ 17 C.F.R. § 37.10(a)(2).

⁴ *Process for MAT*, at 33621.

⁵ Copies of the self-certifications for CDS Index Contract – North America Investment Grade 5Y (filed September 20, 2013); CDS Index Contract – North America Investment Grade 5Y [ICE] (filed October 16, 2013); Interest Rate LIBOR USD Fixed-to-Floating Swap Contract (filed September 17, 2013); and EUR Euribor Fixed-to-Floating Contract (filed September 30, 2013) may be found on Bloomberg SEF’s website at <http://www.bloombergsef.com/resources>.

⁶ *Process for MAT*, at 33613.

⁷ *Id.*

another SEF or on a DCM and the amount of off-exchange activity in the same swap.⁸

This section addresses the six factors, and references data from the SEF operated by Bloomberg SEF (the “BSEF System”), as well as predecessor electronic trading platforms operated by an affiliate of Bloomberg SEF prior to the commencement of the BSEF System (such trading platforms, together with the BSEF System, the “Bloomberg Electronic Trading Systems”), and data from Commission-registered swap data repositories (“SDRs”).

Summary of Bloomberg SEF MAT Proposal

Bloomberg SEF has over 270 participants as of the date of this submission. Over 9,000 trades and over \$480 Bn in notional have been executed on Bloomberg SEF since October 2, 2013. The below analysis was performed in consultation with many of those participants, and draws on more than six years of experience with electronic trading of OTC derivatives.

Bloomberg SEF supports the migration of certain swaps to the mandatory trade execution requirement but believes that this transition should be carefully considered. Furthermore, swaps subject to the MAT determination should meet the mandatory trade criteria set forth in Part 37 of the Commission’s regulations. Our analysis below is based on a balanced approach, applying the six enumerated factors provided by Commission regulation 37.10 (Process for a swap execution facility to make swap available for trade).

We propose to MAT only those swaps that are the most standardized, the most liquid and represent the majority of the volume traded in the market. Additionally, where an OTC market, such as the IRS market, has a broad scope of products available that vary in complexity, it is also important to specify those IRS types that should be excluded from MAT. An over-inclusive approach would create uncertainty in the marketplace, and would require highly illiquid swaps to be traded electronically which is contrary to policy behind Commission regulation 37.10.

Our proposal for the credit market is to MAT two types of CDS: CDX IG and iTraxx EUR. These swaps constitute approximately 80% of the notional volume executed electronically in credit default swaps.

Our proposal for the rates market is to MAT benchmark tenors in USD and EUR that are spot starting, traded at par and have fixed notional amounts. Approximately 80% of the notional volume executed in the IRS market consists of trades in these instruments.

Application of Factors: Swaps that Should be MAT

Bloomberg SEF supports well-considered regulation that brings transparency and stability to the swap markets. We believe that a carefully considered MAT process is crucial to a well-functioning marketplace. By contrast, a MAT determination that is too broad risks severe disruption to the marketplace.

1. Factor 1: Ready and Willing Buyers and Sellers.

During the three months prior to November 1, 2013 (the “Prior Three-Month Period”), substantial numbers of participants⁹ traded the Proposed MAT Contracts using Bloomberg Electronic Trading Systems, as noted below:

- CDX.NA.IG 5Y: 173 participants
- iTraxx Europe 5Y: 207 participants

⁸ *Id.*

⁹ “Participant” refers to a legal entity.

- USD LIBOR IRS: 250 participants
- EUR EURIBOR IRS: 143 participants

As the numbers illustrate, a significant number of market participants are already comfortable with trading these swaps electronically. As such, we believe there are ready and willing buyers and sellers of the Proposed MAT Contracts.

2. Factor 2: Frequency or Size of Transactions

During the Prior Three-Month Period, the average number of trades and trade sizes for the Proposed CDS MAT Contracts on the Bloomberg Electronic Trading Systems were as follows:

Proposed CDS MAT Contracts, 3 months ending 11/1/13		
	CDX.NA.IG 5Y	iTraxx Europe 5Y
Average daily trades	185	259
Average trade size (USD mm)	77	74

During the same period, the average numbers of trades and trade sizes for the Proposed IRS MAT Contracts on the Bloomberg Electronic Trading Systems were as follows:

Proposed IRS MAT Contracts, 3 months ending 11/1/13		
	USD LIBOR IRS	EUR EURIBOR IRS
Average daily trades	88	89
Average trade size (USD mm)	35	51

The statistics set out in Factor 1 and Factor 2 show a significant number of market participants already trade these swaps electronically with significant frequency and size.

3. Factor 3: Trading Volume

During the Prior Three-Month Period, volumes of the Proposed CDS MAT Contracts on the Bloomberg Electronic Trading Systems were as follows:

Proposed CDS MAT Contracts, 3 months ending 11/1/13		
	CDX.NA.IG 5Y	iTraxx Europe 5Y
Total volume (USD mm)	854,165.00	1,149,330.00
Average daily volume (USD mm)	14,236.00	19,156.00

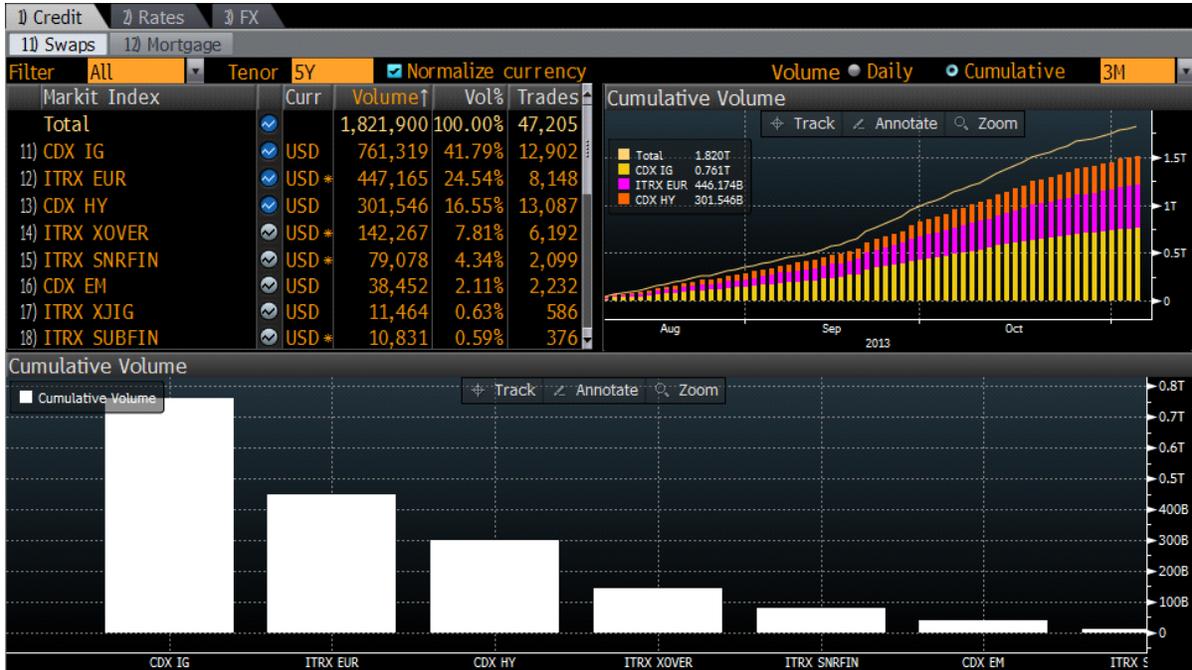
During the same period, volumes of the Proposed IRS MAT Contracts on the Bloomberg Electronic Trading Systems were as follows:

Proposed IRS MAT Contracts, 3 months ending 11/1/13		
	USD LIBOR IRS	EUR EURIBOR IRS
Total volume (USD mm)	184,653.28	274,069.23
Average daily volume (USD mm)	3,077.55	4,567.82

The data listed above is drawn from Bloomberg's experience with its derivatives electronic trading systems. The trading data set forth above, however, is only a portion of the market as a whole. Bloomberg SEF has analyzed SDR data for these swaps during the same period. That analysis is shown below.

CDS Market. Chart A below shows that \$1.21 trillion in notional in CDX.NA.IG 5Y and iTraxx Europe 5Y contracts was traded in the CDS market during the Prior Three-Month Period. This accounts for 66.3% of all of the CDS contracts traded throughout the marketplace during that time.

Chart A



Source: Bloomberg SDRV<GO>, using data from DTCC Data Repository (U.S.) LLC (“DDR”). All block size trades reported to DDR are assumed to be at the minimum block size.

USD LIBOR IRS Market. Chart B below shows that \$4.58 trillion in notional in Benchmark Swaps¹⁰ was traded in USD LIBOR IRS contracts during the Prior Three-Month Period, with the 5Y and 10Y contracts together accounting for 53% of USD LIBOR IRS contracts traded during that time.

Chart B



Source: Bloomberg SDRV<GO>, using data from DDR. All block size trades reported to DDR are assumed to be at the minimum block size.

¹⁰ A “Benchmark Swap” is a swap traded on the “benchmark” points of the swap yield curve.

EUR EURIBOR IRS Market. Chart C below shows that €1.03 trillion in notional was traded in EUR EURIBOR IRS contracts during the Prior Three-Month Period, with the 5Y and 10Y contracts together accounting for just under 50% of EUR EURIBOR IRS contracts traded during that time.

Chart C



Accordingly, the data contained in this Section 3 supports our MAT proposal and demonstrates that there is significant trading volume for all Proposed MAT Contracts.

4. Factor 4: Number and Types of Market Participants

See the number of market participants set forth in Section C.1 above. The types of market participants trading during this period included banks, hedge funds, swap dealers, investment managers, asset managers and insurance companies.

5. Factor 5: Bid/Ask Spread

The bid/ask spreads over the Prior Three-Month Period for all Proposed MAT Contracts ranged between 0.25 and 0.6 basis points.

6. Factor 6: Usual Number of Resting Firm or Indicative Bids and Offers

During the Prior Three-Month Period, participants providing bids and offers for the Proposed CDS MAT Contracts on Bloomberg Electronic Trading Systems were as follows:

- CDX.NA.IG.5Y: 13
- iTraxx Europe 5Y: 13

During the Prior Three-Month Period, participants providing bids and offers for the Proposed IRS MAT Contracts on Bloomberg Electronic Trading Systems were as follows:

- USD LIBOR IRS: 26
- EUR EURIBOR IRS: 23

These participants provided bids and offers for the Proposed MAT Contracts multiple times throughout the day. As a result, Bloomberg SEF believes there is a significant number of bids and offers on a regular basis in the Proposed MAT Contracts.

Swaps that Should not be MAT

In connection with considering which swaps would be submitted for MAT, Bloomberg SEF evaluated a range of swaps. The result of our evaluation is that we believe that non-benchmark swaps, “Non-Spot Starting” Swaps, “Non-Par” Swaps, “Broken Dated” Swaps, Basis Swaps, overnight indexed swaps and Package Transactions should be excluded from MAT. These instruments or combinations of instruments are less liquid and bespoke in nature and therefore should be excluded from MAT, as discussed further in Exhibit B hereto.

D. Conclusion

The information presented in this MAT determination supports Bloomberg SEF’s determination that the Proposed MAT Contracts qualify as MAT and that Bloomberg SEF’s approach to this MAT determination is consistent with the Commission’s goals with respect the trade execution mandate.

Bloomberg SEF hereby certifies that: (i) this MAT determination complies with the Act and the Commission’s regulations thereunder, and (ii) a notice and copy of this MAT determination is being concurrently posted on Bloomberg SEF’s website. There were no substantive opposing views to this MAT determination.

[signature page follows]

Please contact the undersigned at (212) 617-8302 with any questions regarding this matter.

Very truly yours,



Gregory Dumark
Chief Compliance Officer

Bloomberg SEF LLC
731 Lexington Avenue
New York, NY 10022

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

1. CDS Index Contract – North America Investment Grade 5Y (CME) MAT

Contract Overview	An agreement to buy or sell protection on a basket of liquid North America based entities with an investment grade credit rating.
Index	CDX.NA.IG: current series
Currency	USD
Quoting Convention and Minimum Increment	As agreed by counterparties
Minimum Size	As agreed by counterparties
Trading Conventions	Buy = Buy Protection, the buyer of protection pays a premium to the seller in case of a credit event occurring. Credit events include Bankruptcy and Failure to Pay. Sell = Sell Protection, the seller of protection receives the premium payments from the protection buyer. The Seller owns the credit risk of the instrument. Investment Grade indices are traded on spread
Swap Conventions	Fixed coupon payments are calculated at a spread of 100 bps and exchanged on a quarterly basis.
Swap Tenor	5Y
Effective Date	The date on which parties begin calculating accrued obligations such as fixed payments. Also known as the start date of the swap.
Maturity Date	The final date on which the obligations no longer accrue and the final payment occurs.
Settlement	Contingent payment - Payments related to credit event settlement will be determined pursuant to the 2009 ISDA Credit Derivatives Determination Committees and Auction Settlement Supplement, (ie, the Big Bang Protocol). Fixed Quarterly cash payments - reflected in basis points and paid by the protection buyer to the protection seller. Upfront fee payment - The upfront fee is a portion of the payments, expressed in percentage points of the notional, which is present valued and paid immediately to the seller.
Trading Hours and Venue	00:01 -24:00 Sunday-Friday; Eastern Time
Clearing Venue	CME
Block Size	As set forth in Appendix F to Part 43. of the CFTC Regulations
Speculative Limits	As set in Part 151 of the CFTC Regulations
Reportable Levels	As set in the CFTC Regulation 15.03

2. CDS Index Contract – North America Investment Grade 5Y (ICE) MAT

Contract Overview	An agreement to buy or sell protection on a basket of liquid North America based entities with an investment grade credit rating.
Index	CDX.NA.IG: current series
Currency	USD
Quoting Convention and Minimum Increment	As agreed by counterparties
Minimum Size	As agreed by counterparties
Trading Conventions	<p>Buy = Buy Protection, the buyer of protection pays a premium to the seller in case of a credit event occurring. Credit events include Bankruptcy and Failure to Pay.</p> <p>Sell = Sell Protection, the seller of protection receives the premium payments from the protection buyer. The Seller owns the credit risk of the instrument.</p> <p>Investment Grade indices are traded on spread</p>
Swap Conventions	Fixed coupon payments are calculated at a spread of 100 bps and exchanged on a quarterly basis.
Swap Tenor	5Y
Effective Date	The date on which parties begin calculating accrued obligations such as fixed payments. Also known as the start date of the swap.
Maturity Date	The final date on which the obligations no longer accrue and the final payment occurs.
Settlement	<p>Contingent payment - Payments related to credit event settlement will be determined pursuant to the 2009 ISDA Credit Derivatives Determination Committees and Auction Settlement Supplement, (ie, the Big Bang Protocol).</p> <p>Fixed Quarterly cash payments - reflected in basis points and paid by the protection buyer to the protection seller.</p> <p>Upfront fee payment - The upfront fee is a portion of the payments, expressed in percentage points of the notional, which is present valued and paid immediately to the seller.</p>
Trading Hours and Venue	00:01 -24:00 Sunday-Friday; Eastern Time
Clearing Venue	ICE Clear U.S.; ICE Clear Europe
Block Size	As set forth in Appendix F to Part 43. of the CFTC Regulations
Speculative Limits	As set in Part 151 of the CFTC Regulations
Reportable Levels	As set in the CFTC Regulation 15.03

3. CDS Index Contract – European Investment Grade 5Y (CME) MAT

Contract Overview	An agreement to buy or sell protection on a basket of liquid European based entities with an investment grade credit rating.
Index	ITRAXX.EUROPE: current series
Currency	EUR
Quoting Convention and Minimum Increment	As agreed by counterparties
Minimum Size	As agreed by counterparties
Trading Conventions	Buy = Buy Protection, the buyer of protection pays a premium to the seller in case of a credit event occurring. Sell = Sell Protection, the seller of protection receives the premium payments from the protection buyer. The Seller owns the credit risk of the instrument.
Swap Conventions	European IG indices are traded on spread Fixed coupon payments are calculated at a spread of 100 bps and exchanged on a quarterly basis.
Swap Tenor	5Y
Effective Date	The date on which parties begin calculating accrued obligations such as fixed payments. Also known as the start date of the swap.
Maturity Date	The final date on which the obligations no longer accrue and the final payment occurs.
Settlement	Contingent payment - Payments related to credit event settlement will be determined pursuant to the 2009 ISDA Credit Derivatives Determination Committees and Auction Settlement Supplement, (ie, the Big Bang Protocol). Fixed Quarterly cash payments - reflected in basis points and paid by the protection buyer to the protection seller. Upfront fee payment - The upfront fee is a portion of the payments, expressed in percentage points of the notional, which is present valued and paid immediately to the seller.
Trading Hours and Venue	00:01 -24:00 Sunday-Friday; Eastern Time
Clearing Venue	CME
Block Size	As set forth in Appendix F to Part 43. of the CFTC Regulations
Speculative Limits	As set in Part 151 of the CFTC Regulations
Reportable Levels	As set in the CFTC Regulation 15.03

4. CDS Index Contract – European Investment Grade 5Y (ICE) MAT

Contract Overview	An agreement to buy or sell protection on a basket of liquid European based entities with an investment grade credit rating.
Index	ITRAXX.EUROPE: current series
Currency	EUR
Quoting Convention and Minimum Increment	As agreed by counterparties
Minimum Size	As agreed by counterparties
Trading Conventions	Buy = Buy Protection, the buyer of protection pays a premium to the seller in case of a credit event occurring. Sell = Sell Protection, the seller of protection receives the premium payments from the protection buyer. The Seller owns the credit risk of the instrument.
Swap Conventions	European IG indices are traded on spread Fixed coupon payments are calculated at a spread of 100 bps and exchanged on a quarterly basis.
Swap Tenor	5Y
Effective Date	The date on which parties begin calculating accrued obligations such as fixed payments. Also known as the start date of the swap.
Maturity Date	The final date on which the obligations no longer accrue and the final payment occurs.
Settlement	Contingent payment - Payments related to credit event settlement will be determined pursuant to the 2009 ISDA Credit Derivatives Determination Committees and Auction Settlement Supplement, (ie, the Big Bang Protocol). Fixed Quarterly cash payments - reflected in basis points and paid by the protection buyer to the protection seller. Upfront fee payment - The upfront fee is a portion of the payments, expressed in percentage points of the notional, which is present valued and paid immediately to the seller.
Trading Hours and Venue	00:01 -24:00 Sunday-Friday; Eastern Time
Clearing Venue	ICE
Block Size	As set forth in Appendix F to Part 43. of the CFTC Regulations
Speculative Limits	As set in Part 151 of the CFTC Regulations
Reportable Levels	As set in the CFTC Regulation 15.03

5. Interest Rate LIBOR USD Fixed-to-Floating Swap Contract (CME) MAT

Contract Overview	An agreement to exchange a stream of cash flows by applying a fixed and floating interest rate to a specified notional over a term to maturity.
Currency	USD
Floating Rate Index	3 Month USD LIBOR
Quoting Convention and Minimum Increment	As agreed by counterparties
Contract Size	Fixed notional; as agreed by counterparties
Minimum Size	As agreed by counterparties
Trading Conventions	Buy = Pay Fixed, Receive Float. Sell = Receive Fixed, Pay Float.
Swap Conventions	<p>Fixed Leg</p> <ul style="list-style-type: none"> • Payment: Semi-Annual, Annual • Day Count Conventions: <ul style="list-style-type: none"> ○ Semi-Annual Payment: 30/360 ○ Annual Payment: ACT/360 • Holiday Calendars: London, New York • Business Day Conventions: Modified Following with adjustment to period end dates <p>Floating Leg</p> <ul style="list-style-type: none"> • Payment/Resets : Quarterly • Day Count Conventions: ACT/360, • Holiday Calendars: London, New York • Business Day Conventions: Modified Following with adjustment to period end dates
Swap Tenor	2, 3, 5, 7, 10, 15, 20 and 30 years
Effective Date	The date on which parties begin calculating accrued obligations such as fixed and floating interest rate payments. Also known as the start date of the swap.
Maturity Date	The final date on which the obligations no longer accrue and the final payment occurs.
Periodic Settlement: Payment and Resets	<p><u>Fixed Leg</u>: The payment amount of the Fixed Leg is based on the following: Notional, Payment Frequency, Day Count Convention and Fixed Interest Rate.</p> <p><u>Floating Leg</u>: The payment amount of the Floating Leg is based on the following: Notional, Payment Frequency, Day Count Convention, Floating Interest Rate Index and Floating Reset Dates.</p> <p>Payments are settled in accordance with payment frequency of the swap.</p>
First Libor Fixing Date	The first LIBOR Fixing Date is 2 London business days prior to the Effective Date.
Trade Start Types	Spot: a new swap where the Effective Date is T+2 from the trade date.
Trade Types	Par: This means the fixed rate is quoted at the market rate, so that the present value of the swap is zero at the time of execution
Settlement Procedure	As determined by the Clearing Venue
Trading Hours	00:01 -24:00 Sunday-Friday Eastern Time
Clearing Venue	CME
Block Size	As set forth in Appendix F to Part 43 of the CFTC Regulations.
Speculative Limits	As set in Part 151 of the CFTC Regulations
Reportable Levels	As set in CFTC Regulation 15.03

6. Interest Rate LIBOR USD Fixed-to-Floating Swap Contract (LCH) MAT

Contract Overview	An agreement to exchange a stream of cash flows by applying a fixed and floating interest rate to a specified notional over a term to maturity.
Currency	USD
Floating Rate Index	3 Month USD LIBOR
Quoting Convention and Minimum Increment	As agreed by counterparties
Contract Size	Fixed notional; as agreed by counterparties
Minimum Size	As agreed by counterparties
Trading Conventions	Buy = Pay Fixed, Receive Float. Sell = Receive Fixed, Pay Float.
Swap Conventions	<p>Fixed Leg</p> <ul style="list-style-type: none"> • Payment: Semi-Annual, Annual • Day Count Conventions: <ul style="list-style-type: none"> ○ Semi-Annual Payment: 30/360 ○ Annual Payment: ACT/360 • Holiday Calendars: London, New York • Business Day Conventions: Modified Following with adjustment to period end dates <p>Floating Leg</p> <ul style="list-style-type: none"> • Payment/Resets : Quarterly • Day Count Conventions: ACT/360 • Holiday Calendars: London, New York • Business Day Conventions: Modified Following with adjustment to period end dates
Swap Tenor	2, 3, 5, 7, 10, 15, 20 and 30 years
Effective Date	The date on which parties begin calculating accrued obligations such as fixed and floating interest rate payments. Also known as the start date of the swap.
Maturity Date	The final date on which the obligations no longer accrue and the final payment occurs.
Periodic Settlement: Payment and Resets	<p><u>Fixed Leg</u>: The payment amount of the Fixed Leg is based on the following: Notional, Payment Frequency, Day Count Convention and Fixed Interest Rate.</p> <p><u>Floating Leg</u>: The payment amount of the Floating Leg is based on the following: Notional, Payment Frequency, Day Count Convention, Floating Interest Rate Index and Floating Reset Dates.</p> <p>Payments are settled in accordance with payment frequency of the swap.</p>
First Libor Fixing Date	The first LIBOR Fixing Date is 2 London business days prior to the Effective Date.
Trade Start Types	Spot: a new swap where the Effective Date is T+2 from the trade date.
Trade Types	Par: This means the fixed rate is quoted at the market rate, so that the present value of the swap is zero at the time of execution
Settlement Procedure	As determined by the Clearing Venue
Trading Hours	00:01 -24:00 Sunday-Friday Eastern Time
Clearing Venue	LCH
Block Size	As set forth in Appendix F to Part 43 of the CFTC Regulations.
Speculative Limits	As set in Part 151 of the CFTC Regulations
Reportable Levels	As set in CFTC Regulation 15.03

7. EUR EURIBOR Fixed-to-Floating Contract (CME) MAT

Contract Overview	An agreement to exchange a stream of cash flows by applying a fixed and floating interest rate to a specified notional over a term to maturity.
Currency	EUR
Floating Rate Index	3 Month EUR-EURIBOR 6 Month EUR-EURIBOR
Quoting Convention and Minimum Increment	As agreed by counterparties
Contract Size	Fixed; notional; as agreed by counterparties
Minimum Size	As agreed by counterparties
Trading Conventions	Buy = Pay Fixed, Receive Float. Sell = Receive Fixed, Pay Float.
Swap Conventions	<p>Fixed Leg</p> <ul style="list-style-type: none"> • Payment: Annual • Day Count Conventions: 30/360 • Holiday Calendar: Target • Business Day Conventions: Modified Following with adjustment to period end dates <p>Floating Leg</p> <ul style="list-style-type: none"> • Payment/Resets : Semi-Annual, Quarterly • Day Count Conventions: ACT/360 • Holiday Calendar: Target • Fixing Calendar: Target • Business Day Conventions: Modified Following with adjustment to period end dates
Swap Tenor	2, 3, 5, 7, 10, 15, 20 and 30 years
Effective Date	The date on which parties begin calculating accrued obligations such as fixed and floating interest rate payments. Also known as the start date of the swap.
Maturity Date	The final date on which the obligations no longer accrue and the final payment occurs.
Periodic Settlement: Payment and Resets	<p><u>Fixed Leg</u>: The payment amount of the Fixed Leg is based on the following: Notional, Payment Frequency, Day Count Convention and Fixed Interest Rate.</p> <p><u>Floating Leg</u>: The payment amount of the Floating Leg is based on the following: Notional, Payment Frequency, Day Count Convention, Floating Interest Rate Index and Floating Reset Dates.</p> <p>Payments are settled in accordance with payment frequency of the swap.</p>
First Fixing Date	The first Euribor Fixing Date is 2 Target business days prior to the Effective Date.
Trade Start Types	Spot: a new swap where the Effective Date is T+2 from the trade date.
Trade Types	Par: This means the fixed rate is quoted at the market rate, so that the present value of the swap is zero at the time of execution
Settlement Procedure	As determined by the Clearing Venue
Trading Hours	00:01 -24:00 Sunday-Friday Eastern Time
Clearing Venue	CME
Block Size	As set forth in Appendix F to Part 43 of the CFTC Regulations.
Speculative Limits	As set in Part 151 of the CFTC Regulations
Reportable Levels	As set in CFTC Regulation 15.03

8. EUR EURIBOR Fixed-to-Floating Contract (LCH) MAT

Contract Overview	An agreement to exchange a stream of cash flows by applying a fixed and floating interest rate to a specified notional over a term to maturity.
Currency	EUR
Floating Rate Index	3 Month EUR-EURIBOR 6 Month EUR-EURIBOR
Quoting Convention and Minimum Increment	As agreed by counterparties
Contract Size	Fixed; notional; as agreed by counterparties
Minimum Size	As agreed by counterparties
Trading Conventions	Buy = Pay Fixed, Receive Float. Sell = Receive Fixed, Pay Float.
Swap Conventions	<p>Fixed Leg</p> <ul style="list-style-type: none"> • Payment: Annual • Day Count Conventions: 30/360 • Holiday Calendar: Target • Business Day Conventions: Modified Following with adjustment to period end dates <p>Floating Leg</p> <ul style="list-style-type: none"> • Payment/Resets : Semi-Annual, Quarterly • Day Count Conventions: ACT/360 • Holiday Calendar: Target • Fixing Calendar: Target • Business Day Conventions: Modified Following with adjustment to period end dates
Swap Tenor	2, 3, 5, 7, 10, 15, 20 and 30 years
Effective Date	The date on which parties begin calculating accrued obligations such as fixed and floating interest rate payments. Also known as the start date of the swap.
Maturity Date	The final date on which the obligations no longer accrue and the final payment occurs.
Periodic Settlement: Payment and Resets	<p><u>Fixed Leg</u>: The payment amount of the Fixed Leg is based on the following: Notional, Payment Frequency, Day Count Convention and Fixed Interest Rate.</p> <p><u>Floating Leg</u>: The payment amount of the Floating Leg is based on the following: Notional, Payment Frequency, Day Count Convention, Floating Interest Rate Index and Floating Reset Dates.</p> <p>Payments are settled in accordance with payment frequency of the swap.</p>
First Fixing Date	The first Euribor Fixing Date is 2 Target business days prior to the Effective Date.
Trade Start Types	Spot: a new swap where the Effective Date is T+2 from the trade date.
Trade Types	Par: This means the fixed rate is quoted at the market rate, so that the present value of the swap is zero at the time of execution
Settlement Procedure	As determined by the Clearing Venue
Trading Hours	00:01 -24:00 Sunday-Friday Eastern Time
Clearing Venue	LCH
Block Size	As set forth in Appendix F to Part 43 of the CFTC Regulations.
Speculative Limits	As set in Part 151 of the CFTC Regulations
Reportable Levels	As set in CFTC Regulation 15.03

Instruments that should not be MAT

Bloomberg SEF has considered a wide range of swaps and believes that the following types of instruments should not be MAT: non-benchmark swaps, “Non-Spot Starting” Swaps, “Non-Par” Swaps, “Broken Dated” Swaps, Basis Swaps, overnight indexed swaps and Package Transactions.

A. Non-Benchmark Swaps, “Non-Spot Starting” Swaps, “Non-Par” Swaps and “Broken Dated” Swaps

The most commonly traded IRS are traded on the “benchmark” points of the swap yield curve (1, 2, 3, 5, 7, 10, 15, 20, 30 yr points), known as “Benchmark Swaps.” Once a Benchmark Swap ages past its start date (or “origination”), even by one hour or one trading day, it becomes a bespoke swap (or a “Non-Benchmark Swap”) that is not readily quoted. In Non-Benchmark Swaps, liquidity becomes significantly more fragmented. This is because these types of swaps and these types of hedging activity typically require principal risk-taking on both sides of the transaction, rather than one side merely performing a market-making or liquidity providing function. If a market participant needs to hedge more specific risk, to unwind swaps previously entered into or to meet its customized risk-taking requirements, it will generally move away from Benchmark Swaps to more customized and bespoke Non-Benchmark Swaps.

The majority of IRS also have a “spot” starting date (effective date) and roll dates (*i.e.*, the date on which payments for the swap are due or exchanged between the counterparties) that match.¹¹ A non-spot starting swap could mature at a date other than the standard maturity date of the swap. Such swaps would be known to have “broken dates” and like Non-Benchmark Swaps are not quoted electronically and trade with less liquidity. Additionally, the majority of swaps are traded at “par.” This means that the fixed-rate coupon on the swap is set at a level such that the fixed and floating legs offset each other, and there is no upfront payment required to enter into the transaction. Non-benchmark, non-spot starting, broken dated and non-par swaps are customized and bespoke. Market participants use these types of swaps to hedge particular risk and fulfill customized risk-taking requirements.

Non-benchmark, non-spot starting, non-par and broken date concepts become important when a market participant seeks to “unwind” a trade. To unwind a swap, a market participant would need to enter into a transaction with terms opposite to those of the originally executed swap. Thus, the participant must enter into a swap with a coupon at a “non-par” coupon level and with historic starting dates. These swaps are nearly always privately negotiated contracts and are highly illiquid.

Bloomberg SEF currently provides functionality to facilitate the execution of Non-Benchmark, non-spot starting, non-par and/or broken date IRS. Our data shows that these swaps rarely trade electronically. Year-to-date 2013, less than 0.1% of the swap trades executed on the Bloomberg Electronic Trading Systems were in these types of swaps. In our experience, there are very few ready buyers and sellers of these swaps. Bloomberg SEF therefore believes that IRS Non-Benchmark Swaps, Non-Spot Starting Swaps and Non-Par Swaps should not be MAT at this time.

B. Basis Swaps and OIS

Basis swaps are IRS that are traded as a floating leg vs. a floating leg, where each leg is based on a

¹¹ For example, a fixed-to-floating vanilla swap with an effective date of November 14, 2013 would have a “roll date” on the fixed leg of May 14 and a “roll date” on the floating leg of February 14 and May 14. In this way the start date and the roll date would “match.”

different tenor or money market.¹² The electronic market for these swaps is still developing, with limited activity observed.

An overnight indexed swap (“OIS”) is a fixed-to-floating IRS where the periodic floating rate is equal to the geometric average of an overnight rate (or overnight index rate) over every day of the payment period. For example, a USD OIS swap uses the Federal funds rate as the underlying for the floating leg.

Bloomberg SEF offers functionality to trade basis swaps and OIS; however, just four trades in basis swaps and 45 trades in OIS were executed year-to-date on the Bloomberg Electronic trading Systems, in contrast with more than 10,000 trades in spot-starting Benchmark Swaps.

C. Package Transactions

A “Package Transaction” is a transaction that involves the simultaneous and contingent execution of two or more instruments, including the following structures:

- Swap Spread – swap vs. government bond
- Swap Curve – two swaps of different tenors traded simultaneously
- Swap Butterfly – three swaps of different tenors traded simultaneously
- Invoice Spread – Treasury Note or Treasury Bond future vs. swap
- Cash / Futures Basis – Eurodollar future vs. swap
- Offset / Unwinds – bespoke package of two swaps, one which identically offsets an existing cleared swap
- Delta Neutral Option Packages – caps, floors, swaptions vs. swap
- MBS Basis – TBAs (Agency MBS) vs. swap spreads

Package Transactions are priced or quoted together as a single economic transaction. These instruments are used to offer efficient risk transfer and an increased range of hedging opportunities. For example, a market participant that needs exposure to one part of the yield curve relative to another part of the yield curve may trade a Swap Curve. By transacting these instruments together, a market participant can generally obtain better pricing as well as more efficient execution.

Package Transactions also play a meaningful role in ensuring an efficient, deep and liquid market for IRS. Efficient market pricing of IRS, as opposed to inefficient or distorted pricing, provides a sound and fundamental basis of pricing that is important for sovereign and corporate bond issuance.

While Package Transactions are common in the marketplace, they are highly customized and we therefore believe that Package Transactions should not be subject to the mandatory trading protocols.

¹² For example, a company lends money to individuals at a variable rate that is tied to the London Interbank Offer (LIBOR) rate but it borrows money based on the Treasury Bill rate.