

SUBMISSION COVER SHEET

Registered Entity Identifier Code (optional) 13-06R

Date: 10/31/2013

IMPORTANT: CHECK BOX IF CONFIDENTIAL TREATMENT IS REQUESTED. ☐

ORGANIZATION

Javelin SEF, LLC

FILING AS A:

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DCM

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SEF

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DCO

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SDR

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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

DESCRIPTION

This is a revised submission by Javelin SEF, LLC of its Made Available to Trade Determination, made pursuant to CFTC Regulation §37.10. Revisions were made in response to the Commission's comments. In addition, revisions were made to narrow the focus of the products by shortening overall maturities, removing variable notional swaps and narrowing the basket of forward swaps. A clean and redlined copy of the revised submission is attached.



October 18, 2013

BY ELECTRONIC SUBMISSION

Office of the Secretariat
Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st Street, N.W.
Washington, DC 20581

Re: Javelin Determination of Made Available to Trade of certain Interest Rate Swaps made Pursuant to Parts 37 of the Rules of the Commodity Futures Trading Commission (Submission No. 13-06R)

To Whom It May Concern:

Javelin SEF, LLC ("Javelin") is pleased to make the following Made Available to Trade submission ("MAT Submission") of Interest Rate Swaps ("IR Swaps") to the Commodity Futures Trading Commission ("Commission") pursuant to Section 5c(c) of the Commodity Exchange Act ("CEA") and Section 40.6(a) of the Commission's Regulations.

Javelin supports the goals of the Dodd Frank Wall Street Reform and Consumer Protection Act of 2010 (the "Act") and recognizes that the mandatory execution of swaps on Swap Execution Facilities ("SEFs") is critical to promoting pre-trade transparency, increasing market liquidity and competition, while also reducing systemic risk in the swaps market. As the Commission has already noted, increased liquidity in swaps, resulting from SEF trading, will greatly assist DCOs in internal risk management procedures "particularly in mitigating the liquidity risk associated with the unwinding of a portfolio of a defaulting clearing member."¹

Javelin notes that the CFTC recognizes that SEFs have "sufficient expertise and experience with respect to swaps trading to make an initial determination and to submit that determination to the Commission under the part 40 procedures."²

Javelin

Javelin SEF, LLC is a subsidiary of Javelin Capital Markets, LLC which was founded in 2009. It is a derivatives trade venue that focuses on the execution of Interest Rate Swaps and Credit Default Swaps through its subsidiaries. The Commission granted Javelin SEF temporary registration as a Swap

¹ 78 FR 33609, Footnote 55.

² 78 FR 33610.

Execution Facility on September 19, 2013. Javelin works with its liquidity providers and agency partners to offer its customers order book and Request for Quote (“RFQ”) trade execution capability. Javelin is committed to customer choice. Javelin participants may execute on a disclosed or anonymous basis.

MAT Submission Summary

In this MAT Submission Javelin determines that certain IR Swaps, defined below, have 1) been listed by Javelin, 2) have been made available to clear at least one clearing house, and 3) have sufficient liquidity and 4) meet the necessary criteria considered in Part 37 and 38 rules of the Commission. Javelin certifies that these IR Swaps are therefore *made available to trade* pursuant to 17 CFR 37, and for the purposes of Section 2(h), of the CEA.

Based upon this determination, Javelin makes the following MAT Determination:

“Based upon its determination made pursuant to 17 CFR 37, Javelin SEF certifies that certain listed IR Swaps are hereby made *available to trade*. Such MAT IR Swaps are listed in: *Javelin CFTC Submission 13-04R: CME IRS Products*, and *Javelin CFTC 13-05R: LCH IRS Products*.”³ (copies attached)

Compliance with the Core Principles

Javelin SEF believes that its MAT Submission complies with the CEA and the Commission’s regulations, and promotes the goals of the Act. Section 5h(c) of the CEA provides that SEF’s may make swaps available for trading. One of the key goals of the Act is to increase pre-trade and post-trade price transparency in the swaps market. This is consistent with Section 5h(e) of the CEA which provides that the goal of Section 5h is to promote the trading of swaps on SEFs and to promote pre-trade price transparency in the swaps markets. Javelin SEF believes that its MAT Submission is consistent with the Core Principles as follows.

Javelin’s MAT Submission is consistent with Core Principle One because it enables SEFs to comply with the Core Principles. As discussed below, mandatory execution of swaps will promote compliance with the following Core Principles:

- Core Principle 3: “Swaps Not Readily Susceptible to Manipulation”;
- Core Principle 4: “Monitoring of Trading and Trade Processing”;
- Core Principle 7: “Financial Integrity of Transactions”;
- Core Principle 9: “Timely Publication of Trading Information”, and
- Core Principle 10: “Recordkeeping and Reporting”.

Mandatory trading on SEFs will promote the reporting and analysis of data needed for SEFs to comply with Core Principles 3 and 4. Core Principle 3 prohibits SEFs from trading in swaps that are readily susceptible to manipulation. The information captured as a result of the reporting of trade data in connection with Core Principle 9 and the audit trail requirements of Core Principle 10 provide data necessary to identify which swaps are susceptible to manipulation. As result of the increase in trade data that is reported and analyzed, there will be a more accurate indication of market activity and

³ See website: <http://www.thejavelin.com/rules-and-notice>

conditions in the swaps market. This will enable SEFs to make informed decisions about which swaps are susceptible to manipulation.

The increase in trade data that is available for analysis will also enable SEFs to comply with Core Principle 4, as it will enable SEFs to monitor trading to detect and prevent market abuses. Compliance with Core Principles 3 and 4 will improve market integrity and create a level playing field for market participants.

Mandatory trading on SEFs will also enable SEFs to comply with Core Principle 7. Swaps subject to mandatory execution on SEFs are also subject to mandatory clearing. The clearing of swaps through central clearing houses will substantially increase the financial integrity of swaps.

The mandatory trading of swaps on SEFs will enable SEFs to promote transparency in the swaps market through the timely publication of trading information in compliance with Core Principle 9. Mandatory trading of swaps on SEFs will increase both pre-trade and post trade price transparency. In addition, transparency will also increase with respect to trading volume and other trading data on swaps that is prescribed by the Commission, and through data captured by SEFs in their audit trail, as required by Core Principle 10.

MAT Submission Made Pursuant to Rule 17 CFR 40.6: Self Certification of Rules

Commission rule 17 CFR 40.6 permits a registered entity to self-certify its MAT Determination as part of its MAT Submission. Javelin makes this submission pursuant to 17 CFR 40.6 and self-certifies the above MAT Determination. Such a determination shall be effective 10 business days after the Commission has received the MAT Submission, unless the Commission stays such the determination's effective date.

IR Swaps for MAT Submission & Determination ("Submission Swaps")

Any IR Swap with the following characteristics is included in the MAT Submission and Determination:

| | |
|----------------------------|---|
| <i>Contract Overview</i> | An agreement to exchange one stream of cash flows for another where one stream is based on a floating rate, for a given notional amount over a specified term, and the other stream is based upon either another floating interest rate or a fixed interest rate for the same notional and a given term. ⁴ |
| <i>Currency Units</i> | US Dollar, British Pounds, & Euros. |
| <i>Floating Rate Index</i> | USD LIBOR, Sterling LIBOR, & EURIBOR ⁵ |
| <i>Swap Conventions</i> | <i>Fixed Leg</i> • Payment Frequency: Monthly, Quarterly, Semi-Annual, Annual |

⁴ For the avoidance of doubt this includes Forward Rate Agreements.

⁵ The reference price for the floating leg of IRS Products is the London Interbank Offered Rate for USD LIBOR, Sterling LIBOR, EURIBOR ("LIBOR"). LIBOR is the lowest perceived rate at which banks can borrow unsecured funds from other banks in the London interbank market for a specified time period in a particular currency. LIBOR is calculated daily by the BBA Libor Ltd. in conjunction with Thomson Reuters.

- Day Count Convention: 30/360, 30E/360, ACT/360, ACT/365, ACT/ACT
- Holiday Calendars: London, New York, TARGET⁶
- Business Day Conventions: Following, Modified Following with adjustment to period end dates & unadjusted for period end dates

Floating Leg

- Payment/Resets : Monthly, Quarterly, Semi-Annual, Annual
- Day Count Conventions: ACT/360, ACT/365,
- Holiday Calendars: London, New York, TARGET
- Business Day Conventions: Following, Modified Following with adjustment to period end dates & unadjusted for period end dates

Swap Term or Swap Tenor

- For Fixed-to-Floating Swaps and Basis Swaps, the duration of time from the effective date to the maturity date. A contract can have a Swap Term from 28 days to 31 years.
- For Forward Rate Agreements, the duration of time from the effective date to the maturity date. A contract can have a Swap Term from 3 days to 3 years.

Effective or "Start" 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

Fixed Leg: The payment amount of the Fixed Leg is based on the following: Notional, Fixed Interest Rate, Payment Frequency, Number of days in the interest accrual period, and Day Count Convention.

Floating Leg: The payment amount of the Floating Leg is based on the following: Notional, Floating Interest Rate Index, Payment Frequency, Number of days in the interest accrual period, and Day Count Convention.

Payments are settled in accordance with the payment frequency of the swap.

Trade Start Types⁷

Same Day:

A new swap where the Effective Date is the same day as the trade date

Next Day:

A new swap where the Effective Date is T+1 from the trade date.

⁶ TARGET shall mean any day on which TARGET (the Trans-European Automated Real-time Gross settlement Express Transfer system) is open.

⁷ It is intended that swaps with Effective Dates prior to T+1 are captured in this filing. These are often referred to as Aged Swaps or Seasoned Swaps. Aged swaps are often traded as end-users seek to unwind swap transactions that were originally put on as Spot or Forward Starting. Forward Starting trades become Spot and then Aged swaps as time passes. For this reason it is important that Aged swaps are also in scope, as they represent the same underlying swaps at a later point in the lifecycle of that swap transaction. Traditional swap market makers provide liquidity to end-users in Aged Swaps.

| | |
|-----------------------|---|
| | <i>Spot:</i> A new swap where the Effective Date is T+2 from the trade date. |
| | <i>Forward:</i> A new swap with an effective date on any day after the spot start date, before the maturity date, and no longer than 10 months. |
| <i>Trade Types</i> | "Rate Trades"; interest rate swaps "Spreads"; combination of interest rate swaps and US Treasury Bonds purchases or sales. IMM ⁸ ; interest rate swaps where Effective Date, Accrual Dates and Maturity Date are IMM Dates. "MAC" Swaps; Market Agreed Coupon |
| <i>Notional Types</i> | "Fixed Notional." Notional remains constant over term of swap. |
| <i>Settlement</i> | As determined by the clearing house. |

Listing Requirement for Swaps under the MAT Submission & Determination

Commission rule 17 CFR 37.10(2) requires that the SEF that makes a swap available to trade must list or offer that swap for trading on its trading system or platform. Accordingly, Javelin certifies that all Submission Swaps discussed above in the section entitled "IR Swaps for MAT Submission & Determination" are currently listed by Javelin and have been submitted to the Commission pursuant rule 40.2.⁹

Clearing Requirement for Swaps under the MAT Submission & Determination

At least initially, the Commission has stated that it will only review MAT submissions for swaps that it has first determined to be subject to the clearing requirement under Section 39.5 of the commission's regulations. Accordingly, Javelin asserts that all Submission Swaps discussed above in the section entitled "IR Swaps for MAT Submission & Determination" are currently subject to mandatory clearing.

Commission Factors considered for IR Swaps in MAT Submission & Determination

Commission rule 17 CFR 37.10(b) and Commission rule 17 CFR 38.12(b) require the SEF or DCM to consider certain factors ("Commission Factors") as appropriate in making a swap available to trade for the purposes of 2(h)(8) of the CEA.¹⁰ Javelin notes that the Commission considers no one factor dispositive.

Javelin further notes that the Commission permits the SEF to consider swaps in groups or categories if the required Commission Factor is readily applied to all swaps within the particular group or category.¹¹

⁸ IMM shall mean the four quarterly dates of each year which are the third Wednesday of March, June, September, and December in accordance with the International Monetary Market calendar a division of the CME Group.

⁹ See website: www.thejavelin.com/products

¹⁰ 78 FR 33630.

¹¹ 78 FR 33611.

With regard to Submission Swaps, Javelin considers the Commission Factors relative to certain categories, classes and maturity buckets.

| <u>Category</u> | <u>A</u> | <u>B</u> | <u>C</u> |
|-------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|
| <i>Currency</i> | <i>USD</i> | <i>EUR</i> | <i>GBP</i> |
| <i>Index</i> | <i>Libor</i> | <i>Euribor</i> | <i>Libor</i> |
| <u>Maturity Bucket</u> | | | |
| <i>Front-end</i> | <i>0-5.00 Yrs</i> | <i>0-5.00 Yrs</i> | <i>0-5.00 Yrs</i> |
| <i>Curve Middle</i> | <i>5.01-10 Yrs</i> | <i>5.01-10 Yrs</i> | <i>5.01-10 Yrs</i> |
| <i>Curve Back-end</i> | <i>10.01-31 Yrs</i> | <i>10.01-31 Yrs</i> | <i>10.01-31 Yrs</i> |
| <u>Class 1</u> | <i>Fixed Notional</i> | <i>Fixed Notional</i> | <i>Fixed Notional</i> |
| | <i>Spot Start Date</i> | <i>Spot Start Date</i> | <i>Spot Start Date</i> |
| <u>Class 2</u> | <i>Fixed Notional</i> | <i>Fixed Notional</i> | <i>Fixed Notional</i> |
| | <i>Certain Forward Effect. Dates</i> | <i>Certain Forward Effect. Dates</i> | <i>Certain Forward Effect. Dates</i> |

Figure 1.0

Javelin identifies IR Swap categories based upon two core attributes for Submission Swaps: Currency and Floating Rate Index. Within each category, Javelin further considers *three* maturity buckets: *Curve Front-end (0-5.00 Years)*, *Curve Middle (5.01-10 Years)*, and *Curve Back-end (10.01-31 Years)*. Finally, Javelin considers each category into two *classes*: *Class 1 “Fixed Notional, Spot Effective Date,”* and *Class 2 “Fixed Notional, Certain Forward Effective Dates,”* (See Figure 1.0 above).

Category A Swaps includes all Submission Swaps that are US dollar denominated and use LIBOR for its Floating index and which have with maturities from 3 days to 31 years and have either spot effective dates or forward effective dates no longer than 10 months and have a fixed notional.

Category B Swaps includes all Submission Swaps that are Euro denominated and use EURIBOR for its Floating index and which have maturities from 3 days to 31 years and have either spot effective dates or forward effective dates no longer than 10 months and have a fixed notional.

Category C Swaps includes all Submission Swaps that are British Pound denominated and use Sterling LIBOR for its Floating index and which have maturities from 3 days to 31 years and have either spot effective dates or forward effective dates no longer than 10 months and have a fixed notional.

Javelin asserts that each Commission Factor considered applies to all swaps within the given group Category, notwithstanding certain maturity and class considerations discussed below.

Part 37.10(b)(1) Willing Buyers and Sellers

Commission Factor 37.10(b)(1) asks the SEF to consider whether there are “ready and willing buyers and sellers” with respect to a submission swap or class.¹² First, ‘willing buyers and sellers’ includes all swap

¹² *Ibid.*

dealers who, as ‘market makers,’ are prepared to provide a price for a swap in a given Category at any given time. Currently, the CFTC has 79 registered swap dealers who routinely act as willing buyers and sellers in the IR Swaps marketplace.¹³ These dealers may be found providing liquidity on at least 13 temporarily registered SEFs or trade execution platforms. Many dealers also have single dealer platforms through which they provide liquidity to the marketplace. Still other dealer provides liquidity to customers by phone.

Figure 2.0 below shows swap dealers per Submission Swaps Category. For *Category A* swaps, Javelin has identified 20 swap dealers who routinely act as willing buyers and sellers to the US dollar Libor market. For *Category B* Swaps, Javelin has identified 22 swap dealers who routinely provide liquidity to the Euro Euribor IR Swaps market. For *Category C Swaps*, there are at least 7 swap dealers who act as market makers for the British Pound Libor indexed swap marketplace.

Willing Buyers & Sellers: Dealers

| <i>Category A</i> | | <i>Category B</i> | | <i>Category C</i> |
|--------------------------|------------------|--------------------------|-----------------|--------------------------|
| BoA Merrill | Barclays | BoA Merrill | Barclays | Barclays |
| BNP Paribas | CIBC | BBVA | BNP Paribas | Deutsche |
| Citigroup | Commerzbank | Commerzbank | Credit Agricole | Goldman Sachs |
| Credit Agricole | Credit Suisse | Credit Suisse | Citigroup | HSBC |
| Deutsche | Goldman Sachs | Deutsche | Danske | JP Morgan |
| HSBC | JP Morgan | HSBC | Goldman Sachs | Lloyds |
| Morgan Stanley | Natixis | JP Morgan | ING | RBS |
| Nomura | RBC | Morgan Stanley | Landesbank BW | |
| RBS | Societe Generale | RBS | Natixis | |
| UBS | Wells Fargo | Societe Generale | Santander | |
| | | Unicredit | UBS | |

Figure 2.0

Source: Dealers, CFTC

Such dealers (listed per swap Category above) are ready and willing buyers and sellers for all swaps within the Category across all three maturity buckets. With regard to *Class 1* and *Class 2* swaps, the same listed dealers routinely provide liquidity for any swap on a *spot* or certain *forward* basis within the given Category.

It is important to note, that traditional swap dealers are not the only liquidity providers willing to make a price to the IR Swaps marketplace. Non-traditional market makers are currently entering the market to act as willing buyers and sellers of swaps in all three Submission Swap Categories. Currently, multiple electronic or ‘algorithmic’ trading firms routinely act as market makers in other assets classes such as interest rate futures and options, commodity derivatives, equities and equity derivatives to name but a

¹³ See website: www.cftc.gov/lawregulation/DoddFrankAct/registerwapdealer.

few. Several of these firms are expected to enter the IR Swaps market to provide liquidity in all three submission swap categories.

Further, with the advent of *all-to-all* trading platforms, customers are now able to provide liquidity to the market place for the first time. That is, on several platforms, customers are now able to submit *limit orders*—where they submit the *highest* bid or *lowest* offer. As such, customers now act as willing price providers each time they enter a limit order for a swap classified in any of the three submission categories.

Upon analysis of the IR Swaps market liquidity composition, Javelin asserts that there is a substantial number of *willing buyers and sellers* of Submission Swaps for all three Categories. This analysis includes traditional bank dealers who routinely make markets, but also considers the positive liquidity impact occurring from the arrival of non-traditional price makers and *customer-to-customer* price providing in all three Categories for the first time.

Part 37.10(b)(2) & (3) Volume and Trade Count

Commission Factor 37.10(b)(2) and (3) asks the SEF to consider the volume, frequency and the transaction size with respect to a submission swap or class.¹⁴ The IR swap market is generally accepted to be one of the largest and most liquid markets in the world. For example, one clearing house, LCH.Clearnet, reports that it currently has over \$425 Trillion of notional swaps in clearing.¹⁵ That is, for every one dollar of GDP created by the United States, LCH.Clearnet has over \$28 of cleared swaps notional outstanding. Of the total notional outstanding at LCH.Clearnet, US dollar swaps comprise 30.6%, Euro swaps 45.2% and GBP swaps comprise 11.1%.¹⁶

Figure 3.0 below considers the *volumes traded* per submission Category across maturity on a *year to date* basis. We sourced this volume data from LCH.Clearnet.¹⁷ Because LCH.Clearnet claims to be 50% of the market, we multiplied the volume data by two to return a global volume data result for such submission swaps.¹⁸ Javelin believes this data to be conservative because not all swap trades are cleared.

Submission Swap Volume: 2013 Year to Date

| Category | 0-5.0 Years | 5.01-10 Yrs | 10.01- 31 Yrs | Total |
|-----------------|--------------------|--------------------|----------------------|--------------|
| Category A | 90,788,077 | 10,738,375 | 6,931,711 | 108,458,163 |
| Category B | 115,274,064 | 13,634,567 | 8,801,744 | 137,710,375 |
| Category C | 28,701,070 | 3,394,750 | 2,181,063 | 34,276,883 |

Figure 3.0

Source: LCH

¹⁴ Ibid.

¹⁵ See website: www.swapclear.com/what/clearing-volumes.html

¹⁶ Ibid.

¹⁷ Ibid.

¹⁸ LCH counts each side of the trade to determine volume. We count only one trade side.

Source data for Category A Swaps reveals that a total notional of 108.47 Trillion has traded so far year. Such volume is broken down into *Curve Front-end 90.79 Trillion, Curve Middle 10.74 Trillion and Curve Back-end 6.93 Trillion.*

Source data for Category B Swaps reveals that a total notional of 137.72 Trillion has traded so far year. Such volume is broken down into *Curve Front-end 115.27 Trillion, Curve Middle 13.63 Trillion and Curve Back-end 8.80 Trillion.*

Source data for Category C Swaps reveals that a total notional of 34.29 Trillion has traded so far year. Such volume is broken down into *Curve Front-end 28.70 Trillion, Curve Middle 3.39 Trillion and Curve Back-end 2.18 Trillion.*

Front-end bucket volumes across all three Categories are noticeably higher than those for the other two longer dated maturity buckets. This is because they include Floating Rate Agreements (FRAs) that, though shorter in maturity, trade in large sizes.

Already a large market by notional outstanding, the *year to date* trade volumes for each submission Category confirm that sizable liquidity exists in this vibrant market when considered both on an aggregate Category basis or by individual maturity bucket within a given Category.

Submission Swap Tradecount: 2013 Year to Date

| Category | 0-5.0 Years | 5.01-10 Yrs | 10.01- 31 Yrs | Total |
|-----------------|--------------------|--------------------|----------------------|--------------|
| Category A | 215,734 | 186,378 | 88,458 | 490,570 |
| Category B | 70,044 | 36,472 | 21,850 | 128,366 |
| Category C | 41,286 | 20,722 | 12,634 | 74,642 |

Figure 3.1

Source: DTCC, CME

Figure 3.1 considers the *trade count* per submission Category across maturity on a *year to date* basis. We sourced such data from both DTCC SDR daily trade files and CME SDR website.^{19 20} Upon analysis of the data, it was determined that the trade *volume* data was incomplete and thus we used only trade *count* data from the SDRs for Submission Swaps.²¹ Such trade count data, however, we believe to be conservative because not all swap trades are required to be submitted to an SDR.

Trade *count* data from both SDRs, supports the notion that there exists considerable liquidity for the Submission Swaps that comprise Category A, B and C. Category A Swaps have traded 490,570 trade

¹⁹ See website: www.cmegroup.com/market-data/repository/data.html?assetClass=Interest+Rate

²⁰ See website: <http://rtdata.dtcc.com/gtr/dashboard.do>

²¹ For example, block trades submitted to the SDR do not specify the full notional amount and trades with zero notional were excluded from the trade count.

sides year to date or for 205 trading sessions. Likewise, Category B Swaps have traded 128,366 trade sides so far this while Category C Swaps have traded 74,642 trade sides so far this year. The average daily trade count for all three Categories combined is 3,383.

Javelin asserts that the swaps market is one of the largest and most liquid globally when volume, trade count and average trade size is considered. There is ample liquidity for Submission Swaps in Category A, B and C when trade volumes and trade frequency are considered in total or by maturity bucket.

Part 37.10(b)(5) Bids/Offer Spread

Commission Factor 37.10(b)(5) asks the SEF to consider the Bid-Offer spread with respect to the submission swap or class.²² It is well established that one method through which to judge product liquidity is to measure the *Bid-Offer* spread of the instrument traded. The wider the *Bid-Offer* spread, the more expensive the transaction cost and the less liquid the product is generally considered. The tighter the *Bid-Offer* spread, the cheaper it is to enter and exit the product, hence the lower the transaction cost. Products with tighter *Bid-Offer* spreads are thus more liquid and have less ‘friction’ for the market participant.

Submission Swaps: Bid /Offer Spread (Liquid Points)

| <u>Category</u> | <u>1yr</u> | <u>2yr</u> | <u>3yr</u> | <u>4yr</u> | <u>5yr</u> | <u>6yr</u> | <u>7yr</u> | <u>8yr</u> | <u>9yr</u> | <u>10yr</u> | <u>15yr</u> | <u>20yr</u> | <u>30yr</u> |
|-----------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|-------------|-------------|-------------|-------------|
| Category A | 0.30 | 0.40 | 0.50 | 0.50 | 0.30 | 0.40 | 0.40 | 0.30 | 0.40 | 0.30 | 0.40 | 0.40 | 0.40 |
| Category B | 0.60 | 0.40 | 0.30 | 0.30 | 0.30 | 0.40 | 0.30 | 0.40 | 0.40 | 0.40 | 0.60 | 0.70 | 0.80 |
| Category C | - | 1.20 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 0.90 | 1.00 | 1.10 | 1.20 | 1.10 |

Figure 4.0

Source: Bloomberg

Figure 4.0 above considers the *Bid-Offer* spread differential for all liquid swap points for each submission swap category expressed as *basis points* of yield.²³ For liquid points in the *Front-end* (0.0-5.0 years) maturity bucket, we observe that the average *Bid-Offer* spread for Category A Swaps is 0.40 basis points. For Category B Swaps, we observe an average *Bid-Offer* spread of 0.38 basis points and for Category C Swaps, we observe an average *Bid-Offer* spread of 1.05 basis points.

Likewise, for liquid points in the *Curve Middle* (5.01-10 years) maturity bucket, we observe that the average *Bid-Offer* spread for Category A Swaps is 0.36 basis points. For Category B Swaps, we observe an average *Bid-Offer* spread of 0.38 basis points and for Category C Swaps, we observe an average *Bid-Offer* spread of 0.98 basis points.

Lastly, for liquid points in the *Curve Back-end* maturity bucket (10.01-31 Years), we observe that the average *Bid-Offer* spread for Category A Swaps is 0.40 basis points. For Category B Swaps, we observe an average *Bid-Offer* spread of 0.70 basis points and for Category C Swaps, we observe an average *Bid-Offer* spread of 1.13 basis points.

²² 78 FR 33630.

²³ Javelin may offer additional data Figure 4.0.

Upon consideration, it is clear that such *Bid-Offer* spreads are already quite tight and characteristic of considerable liquidity for Category A, B and C Submission Swaps. Further, based on empirical evidence from other asset classes, it is well established that such *Bid-Offer* spreads should tighten as new trade execution venues, and alternative liquidity providers enter the marketplace to make markets for such Submission Swaps.

Part 37.10(b)(6) Usual Number of Bids & Offers

Commission Factor 37.10(b)(6) asks the SEF to consider the usual number of resting firm or indicative bids and offers with respect to a submission swap or class.²⁴ To more accurately measure product liquidity, it is important to consider, not just volume, but the *available liquidity* measured by the total number of available bids and offers and their associated size.²⁵

By contrast, traditional volume measurements may consistently undercount product liquidity because they fail to capture all willing buyers and sellers at the clearing price at a given time in the market. That is, market volume for a given interval may show low trade activity (thus “low liquidity”), but there could still be a significant number of bidders and sellers in the market for large amounts (thus high “*available liquidity*”).

Number of Bids/Offer

| Category | 2yr | 3yr | 4yr | 5yr | 6yr | 7yr | 8yr | 9yr | 10yr | 15yr | 20yr | 30yr |
|-----------------|------------|------------|------------|------------|------------|------------|------------|------------|-------------|-------------|-------------|-------------|
| Category A | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 6 |
| Category B | 5 | 6 | 6 | 6 | 6 | 6 | 5 | 5 | 5 | 6 | 5 | 5 |
| Category C | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 |

Figure 5.0

Source: Bloomberg

Figure 5.0 considers the available number of bids and the number of offers for given swaps for Categories A, B and C.²⁶

Figure 5.0 for *Category A* Swaps reveals the total number of Bids and Offers for the following maturity buckets: *Curve Front-end 24 bids/24 offers*, *Curve Middle 30 bids/30 offers* and *Curve Back-end 18 bids/18 offers*.

Figure 5.0 for *Category B* Swaps reveals the total number of Bids and Offers for the following maturity buckets: *Curve Front-end 23 bids/23 offers*, *Curve Middle 27 bids/27 offers* and *Curve Back-end 16 bids/16 offers*.

Figure 5.0 for *Category C* Swaps reveals the total number of Bids and Offers for the following maturity buckets: *Curve Front-end 8 bids/8 offers*, *Curve Middle 10 bids/10 offers* and *Curve Back-end 6 bids/6 offers*.

²⁴ 78 FR 33630.

²⁵ See SDMA Comment Letter submission to CFTC re Block Trade Thresholds (dated 2/2/12) for a more complete discussion of Available Liquidity.

²⁶ Javelin may offer additional data for Figure 5.0 and Figure 5.1.

SUM of Bids/Offers (MM)

| <i>Category</i> | <i>2yr</i> | <i>3yr</i> | <i>4yr</i> | <i>5yr</i> | <i>6yr</i> | <i>7yr</i> | <i>8yr</i> | <i>9yr</i> | <i>10yr</i> | <i>15yr</i> | <i>20yr</i> | <i>30yr</i> |
|------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|--------------------|--------------------|--------------------|--------------------|
| <i>Category A</i> | 1,700 | 1,200 | 1,000 | 850 | 770 | 650 | 555 | 465 | 425 | 265 | 210 | 165 |
| <i>Category B</i> | 800 | 700 | 525 | 525 | 450 | 425 | 375 | 375 | 375 | 237 | 105 | 82 |
| <i>Category C</i> | 100 | 85 | 50 | 45 | 45 | 43 | 41 | 39 | 38 | 34 | 31 | 30 |

Figure 5.1

Source: Bloomberg

Figure 5.1 considers the sum notional of the available Bids or Offers observed in Figure 5.0, in local currency.

For Category A Swaps, we observe the following sum notional associated with either the bids or offers across maturity bucket *Curve: Front-end 4.75 Billion Bid Size/4.75 Billion offer size, Curve Middle 2.865 Billion Bid Size/2.865 Billion offer size and Curve Back-end 640 Million Bid Size/640 Million offer size.*

For Category B Swaps, we observe the following sum notional associated with either the bids or offers across maturity bucket *Curve: Front-end 2.55 Billion Bid Size/2.55 Billion offer size, Curve Middle 2.00 Billion Bid Size/2.00 Billion offer size and Curve Back-end 424 Million Bid Size/424 Million offer size.*

For Category C Swaps, we observe the following sum notional associated with either the bids or offers across maturity bucket *Curve: Front-end 280 Million Bid Size/280 Million offer size, Curve Middle 206 Million Bid Size/206 million offer size and Curve Back-end 95 Million Bid Size/95 Million offer size.*

It should be noted that both tables highlight a current shortcoming of such a method—lack of available data. For both tables, Javelin only observed data from Bloomberg, one out of several trade venues. Other trade venues have not yet gone fully operational or may not be directly accessible. We expect this to change though in the coming weeks and months and thus this shortcoming should abate.

That ‘available’ data is a smaller subset of ‘usual’ data is highlighted by the fact that not all dealers for a given category were observed on the venue. In fact, for Categories A, B and C Swaps, only 28-30% of dealers were observed.

Further, tables 5.0 and 5.01 only capture bids and offers in one system. They do not capture the usual number of bids and offers that are available upon request for all Submission Swaps by the Request For Quote (“RFQ”) execution method. RFQ is certainly the more prevalent or ‘usual’ trade execution method today for Submission Swaps, but this data is not yet generally available.

Consequently, it is not unreasonable to assume that ‘usual’ liquidity is significantly greater than the observed ‘available’ liquidity evidence in tables 5.0 and 5.1.

But notwithstanding the lack of available data, the observed liquidity, measured by total number of bids or offers here, certainly reflects quite a vibrant and liquid market for Submission Swaps across Categories A, B, C — when considered per maturity bucket. For example, for Category A & B Swaps for

the first two maturity buckets, there was anywhere between 23 and 30 bids or offers for the *on the run* points.

Such a conclusion is further supported by the *total notional* available and willing to trade associated with such bids and offers in table 5.0. For example, for Category A and B Swaps for the first two maturity buckets, there was anywhere from a sizeable \$2.50 Billion to \$4.75 Billion available to trade at any one time on either the bid or offered side of the market.

In conclusion, Javelin asserts that when the usual number of bids and offers are considered (either by number or associated notional)—there is significant liquidity for Submission Swaps in Categories A, B and C.

Classification by Maturity Bucket: Acceptable Approach?

Is it proper to consider trade volume, size, bid-offer spread or the number of bids and offers grouped by trade bucket with a given Category?

Javelin asserts that, because of the *Market Breadth* approach and the portfolio approach in which swaps are risk managed, the liquidity characteristics of one swap, or group of swaps, (*e.g.* 2yr, 3yr, 4yr, 5yr) readily carries to all Submission Swaps within the same maturity bucket.

$$\text{Market Breadth} \approx \sum \text{AL}_{\text{focus swap, hedge swaps}}$$

Market Breadth is broadly defined as the total sum of available liquidity of the focus swap, in addition to the available liquidity of the swap or basket of swaps used to hedge or risk manage it.²⁷

Simply put, a given swap (a “focus swap”) may be routinely hedged by another swap of like duration or by a basket of swaps of different maturities with a like duration. Thus, the liquidity characteristics of the hedge swap or basket of hedge swaps readily carries to that of the other (“focus swap”).

For example, a market practitioner may hedge a 3.6 Year USD IR Swap with a duration weighted basket of both 3 Year USD IR Swaps and 4 Year USD IR Swaps. That is, the risk of a 3.6 USD IR swap may be synthetically replicated (and thus hedged) by a basket of more liquid swaps within the same maturity bucket.

If this risk manager is a dealer who is asked to provide a price on the 3.6 IR swap (“focus swap”), the bid-offer quoted is directly related to the liquidity characteristics of her hedge basket; in this instance the 3yr and 4 yr IR swap (“hedge swaps”). Though never exactly equal, the liquidity of one is directly related to that of the other. The *less* liquid the hedge swaps, the wider the *Bid-Offer* spread will be on the *focus swap* to compensate the price provider for the higher production cost. Conversely, the *more* liquid the hedge swaps, the tighter the Bid-Offer spread should be on the focus swap.

²⁷ See SDMA Comment Letter submission to CFTC re Block Trade Thresholds (dated 2/2/12) for a more complete discussion of Market Depth.

Consequently, Javelin determines the liquidity characteristics of one swap or basket of swaps is transitive and generally carries to all other swaps that may be accurately replicated by use of such hedge swaps. Since all swaps with a given Javelin maturity bucket may be synthetically replicated or risk managed by baskets of more liquid ones within the same bucket—it is entirely appropriate that Javelin asserts that the liquidity attributes of the *On-the-Run* swaps (2yr, 3yr, 4yr, 5yr etc.) within a given maturity bucket (considered above) carry to all other swaps within that same bucket.

Javelin Methodology Consistent with DCOs

Such a portfolio approach is consistent with other market practitioners such as DCOs with regard to liquidity considerations and IR swaps classification.

In its *Made Available to Clear* determination, LCH.Clearnet asserted that it was “counterproductive to define every single attribute and combination that could be found in an IR swap.”²⁸ Instead, it recommended broad primary attributes for classification. Such attributes include: currency, floating rate index, swap type (floating versus fixed, or floating versus floating), maturity, notional type (fixed, variable).

Javelin notes that its classification methodology is quite similar to that of LCH.Clearnet.

With regard to liquidity, LCH.Clearnet believed that, while it was one of the most important characteristics in deciding whether to clear a swap or swap class, “traditional listed futures measures of liquidity” are not readily applicable because the vast majority of swaps were not fungible.²⁹ According to LCH.Clearnet, for IR swaps, “volume in isolation is not a reliable indicator of liquidity.”³⁰ Consequently, LCH.Clearnet opted to consider liquidity as a function of outstanding notional, by maturity bucket and currency, among other factors.

Classification by Classes 1 & 2: Acceptable Approach?

Is Javelin’s use of subclass within its three main Categories an acceptable approach?

Within Category A, B or C Swaps, Javelin classifies swaps into three Classes: *Class 1, Class 2 and Class 3*. Javelin asserts that such a classification is entirely appropriate and consistent when considering the Commission Factors as appropriate.

Class 1 and Class 2 Submission Swaps

Class 1 and Class 2 IR swaps are those instruments with a fixed notional, but where their start or effective dates are different. Class 1 swaps have *spot* effective dates or start dates. Class 2 swaps have *forward* effective dates no further than 10 months.

²⁸ Page 6. LCH.Clearnet Submission to CFTC (2/24/2012).

²⁹ Page 2. LCH.Clearnet Submission to CFTC (2/24/2012).

³⁰ Ibid.

Because IR swaps with *spot* and *forward* dates are mathematically related, Javelin observes that liquidity considerations of Class 1 swaps directly carry to the liquidity considerations of Class 2 IR swaps within a given Category.

$$r_{t_1, t_2} = \left(\frac{(1 + r_2)^{d_2}}{(1 + r_1)^{d_1}} \right)^{\frac{1}{d_2 - d_1}} - 1$$

Figure 6.0

Figure 6.0 considers the general mathematical relationship between the spot and forward rate where r_{t_1, t_2} is the forward rate between term t_1 and term t_2 ; and where d_1 is the time length between time 0 and term t_1 ; and where d_2 is the time length between time 0 and term t_2 ; and where r_1 is the spot yield for the time period (0, t_1) and where r_2 is the spot yield for the time period (0, t_2).

Simply put, an IR swap with a *forward* start date may be synthetically created (therefore hedged) by a combination of IR swaps that have different *spot* maturity dates. For example, a 2.5 year swap-6 months *forward* is nothing more than the difference of a *six month* swap, *spot* effective date and a *three* year swap, *spot* effective date.

Consequently, Javelin believes it entirely appropriate and consistent that the Commission Factors considered for one class directly carry to attributes of the other, especially when considering *On-the-Run* swaps (2yr, 3yr, 4yr, 5yr etc.) that have spot effective dates.

Part 37.10(b)(4) Number and Type of Market Participants

Commission Factor 37.10(b)(4) asks the SEF to consider “the number and types of market participants” with respect to a submission swap or class.³¹

Javelin notes that there are several types of market participants that trade Submission Swaps to either manage interest rate exposure or to optimize returns. Javelin considers the various participant types and the number of participants associated with each participant group.

- 1) *Swap Dealers*. Swap dealers act as liquidity providers for a wide range of submission swaps where, acting as market makers, they seek to capture the Bid-Offer spread. Such dealers may also take proprietary positions to express views on interest rates, curve anomalies etc. to increase revenue. Dealers also utilize submission swaps as the building blocks, among other derivatives, to offer clients more bespoke interest rate structures to more acutely address their need. There are 79 dealers registered with the CFTC.³²

³¹ 78 FR 33630.

³² See website: www.cftc.gov/lawregulation/DoddFrankAct/registerwapdealer

- 2) *Electronic Trading Firms.* Nontraditional price providers are currently entering the swaps market as transparency increases. Such firms engage in manual, automated, and hybrid methods of trading and are active in a variety of asset classes, such as foreign exchange, commodities, fixed income, and equities. Such firms are a critical source of liquidity in the exchange-traded markets. Javelin notes that it's trade association, the FIA PTG, has presently 31 members.³³
- 3) *Commercial Banks.* Banks are perhaps one of the largest and most significant participant groups globally that use submission swaps. Banks routinely hedge considerable interest rate risk associated the assets and liabilities with regard to all their core business-both commercial and retail. Such commercial banks range in balance sheet from a few hundred million to several trillion. In the US alone, there were over 8,300 hundred banks in 2008.³⁴
- 4) *GSEs/Mortgage Servicers/Originators.* Home mortgage related participants regularly deploy submission swaps to manage interest rate risk of underlying mortgage portfolios of commercial and retail borrowers.
- 5) *Hedge Funds.* Hedge fund managers utilize a wide range of Submission Swaps as part of their investment strategy for the funds they manage. Seeking to optimize total returns, hedge funds seek capital efficient products such as swaps to express views or capture imbalances on interest rate curves, either macro or micro, in order to generate revenue and returns for their investors. Javelin notes the Managed Funds Association (MFA) has 107 firms as members.³⁵
- 6) *Asset Mangers ("Real Money").* Asset Managers are also large users of Submission Swaps. Such participants seek to optimize total returns for the multiple funds that they manage. Such participants use Submission Swaps to both hedge interest rate risk exposure, but also take deploy swaps to earn absolute returns.
- 7) *Insurance Companies.* Insurance companies routinely hedge considerable interest rate risk associated with their assets and liabilities with regard to all core insurance products - both commercial and retail using Submission Swaps. Javelin notes that the American Insurance Association lists 233 Insurance companies in the US.³⁶
- 8) *Pension Funds.* Pension fund participants use Submission Swaps to manage interest rate risk with regard to investment and liability portfolios that tend to be longer in duration. The National Association of State Retirement Administrators (NASRA) lists 82 firms as its members.³⁷
- 9) *REITs.* Real Estate Investment Trusts utilize Submission Swaps to hedge interest rate risk on balance sheet and minimize fund exposure to interest rate movements.

³³ See website: <http://www.futuresindustry.org/ptg/default.asp>

³⁴ See website: <http://www4.fdic.gov/IDASP/index.asp>

³⁵ See website: <http://www.managedfunds.org/>

³⁶ See website: <http://www.aiadc.org/aiapub/>

³⁷ See website: <http://www.nasra.org/members>

10) *Corporate Treasurers/Municipalities*. Such market participants regularly use Submission Swaps to hedge and manage interest rate risk or optimize funding options in the bond markets.

Upon consideration of the participant landscape for Submission Swaps, Javelin asserts that there are several thousands of market participants globally, that may be broadly categorized into ten groups. Such participants utilize swaps in many different ways such as market making, risk management or asserting outright views on the market to enhance total returns.

Conclusion

Javelin has accurately classified its MAT determination for Submission Swaps into readily definable Categories based on currency and floating rate index. Classifying such Categories further by maturity bucket and subclass, Javelin has considered each of the six Commission Factors to these Categories and classes as appropriate.

Javelin further affirms that such Submission Swaps have been listed for clearing on at least one clearing house and that such Submission Swaps have been listed for trading in accordance with Part 40 Commission rules.

Finally, Javelin certifies that its MAT Submission and Determination comply with the CEA and the Commission's Regulations. Javelin SEF further certifies that this submission has been concurrently posted on Javelin SEF's website at <http://www.theJavelin.com>.

If you have any questions regarding this submission, please contact me at (212) 779-1600 or james.cawley@thejavelin.com.

Sincerely,

/s/James Cawley
CEO
Javelin SEF

Attachments



October 18, 2013

BY ELECTRONIC SUBMISSION

Office of the Secretariat
Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st Street, N.W.
Washington, DC 20581

Re: Javelin Determination of Made Available to Trade of certain Interest Rate Swaps made Pursuant to Parts 37 of the Rules of the Commodity Futures Trading Commission (Submission No. 13-06R)

To Whom It May Concern:

Javelin SEF, LLC ("Javelin") is pleased to make the following Made Available to Trade submission ("MAT Submission") of Interest Rate Swaps ("IR Swaps") to the Commodity Futures Trading Commission ("Commission") pursuant to Section 5c(c) of the Commodity Exchange Act ("CEA") and Section 40.6(a) of the Commission's Regulations.

Javelin supports the goals of the Dodd Frank Wall Street Reform and Consumer Protection Act of 2010 (the "Act") and recognizes that the mandatory execution of swaps on Swap Execution Facilities ("SEFs") is critical to promoting pre-trade transparency, increasing market liquidity and competition, while also reducing systemic risk in the swaps market. As the Commission has already noted, increased liquidity in swaps, resulting from SEF trading, will greatly assist DCOs in internal risk management procedures "particularly in mitigating the liquidity risk associated with the unwinding of a portfolio of a defaulting clearing member."¹

Javelin notes that the CFTC recognizes that SEFs have "sufficient expertise and experience with respect to swaps trading to make an initial determination and to submit that determination to the Commission under the part 40 procedures."²

Javelin

Javelin SEF, LLC is a subsidiary of Javelin Capital Markets, LLC which was founded in 2009. It is a derivatives trade venue that focuses on the execution of Interest Rate Swaps and Credit Default Swaps through its subsidiaries. The Commission granted Javelin SEF temporary registration as a Swap

¹ 78 FR 33609, Footnote 55.

² 78 FR 33610.

Execution Facility on September 19, 2013. Javelin works with its liquidity providers and agency partners to offer its customers order book and Request for Quote ("RFQ") trade execution capability. Javelin is committed to customer choice. Javelin participants may execute on a disclosed or anonymous basis.

MAT Submission Summary

In this MAT Submission Javelin determines that ~~at~~ certain IR Swaps, defined below, have 1) been listed by Javelin, 2) have been made available to clear at least one clearing house, and 3) have sufficient liquidity and 4) meet the necessary criteria considered in Part 37 and 38 rules of the Commission. Javelin certifies that these IR Swaps are therefore *made available to trade* pursuant to 17 CFR 37, and for the purposes of Section 2(h), of the CEA.

Based upon this determination, Javelin makes the following MAT Determination:

"Based upon its determination made pursuant to 17 CFR 37, Javelin SEF certifies that certain listed IR Swaps are hereby *made available to trade*. Such MAT IR Swaps are listed in: *Javelin CFTC Submission 13-04R: CME IRS Products*, and *Javelin CFTC 13-05R: LCH IRS Products*."³ (copies attached)

Compliance with the Core Principles

Javelin SEF believes that its MAT Submission complies with the CEA and the Commission's regulations, and promotes the goals of the Act. Section 5h(c) of the CEA provides that SEF's may make swaps available for trading. One of the key goals of the Act is to increase pre-trade and post-trade price transparency in the swaps market. This is consistent with Section 5h(e) of the CEA which provides that the goal of Section 5h is to promote the trading of swaps on SEFs and to promote pre-trade price transparency in the swaps markets. Javelin SEF believes that its MAT Submission is consistent with the Core Principles as follows.

Javelin's ~~SEF's~~ ~~Matt~~ MAT Submission is consistent with Core Principle One because it enables SEFs to comply with the Core Principles. As discussed below, mandatory execution of swaps will promote compliance with the following Core Principles:

- Core Principle 3: "Swaps Not Readily Susceptible to Manipulation";
- Core Principle 4: "Monitoring of Trading and Trade Processing";
- Core Principle 7: "Financial Integrity of Transactions";
- Core Principle 9: "Timely Publication of Trading Information", and
- Core Principle 10: "Recordkeeping and Reporting".

Mandatory trading on SEFs will promote the reporting and analysis of data needed for SEFs to comply with Core Principles 3 and 4. Core Principle 3 prohibits SEFs from trading in swaps that are readily susceptible to manipulation. The information captured as a result of the reporting of trade data in connection with Core Principle 9 and the audit trail requirements of Core Principle 10 provide data necessary to identify which swaps are susceptible to manipulation. As result of the increase in trade data that is reported and analyzed, there will be a more accurate indication of market activity and

³ See website: <http://www.thejavelin.com/rules-and-notice>

conditions in the swaps market. This will enable SEFs to make informed decisions about which swaps are susceptible to manipulation.

The increase in trade data that is available for analysis will also enable SEFs to comply with Core Principle 4, as it will enable SEFs to monitor trading to detect and prevent market abuses. Compliance with Core Principles 3 and 4 will improve market integrity and create a level playing field for market participants.

Mandatory trading on SEFs will also enable SEFs to comply with Core Principle 7. Swaps subject to mandatory execution on SEFs are also subject to mandatory clearing. The clearing of swaps through central clearing houses will substantially increase the financial integrity of swaps.

The mandatory trading of swaps on SEFs will enable SEFs to promote transparency in the swaps market through the timely publication of trading information in compliance with Core Principle 9. Mandatory trading of swaps on SEFs will increase both pre-trade and post trade price transparency. In addition, transparency will also increase with respect to trading volume and other trading data on swaps that is prescribed by the Commission, and through data captured by SEFs in their audit trail, as required by Core Principle 10.

MAT Submission Made Pursuant to Rule 17 CFR 40.6: Self Certification of Rules

Commission rule 17 CFR 40.6 permits a registered entity to self-certify its MAT Determination as part of its MAT Submission. Javelin makes this submission pursuant to 17 CFR 40.6 and self-certifies the above MAT Determination. Such a determination shall be effective 10 business days after the Commission has received the MAT Submission, unless the Commission stays such the determination's effective date.

IR Swaps for MAT Submission & Determination ("Submission Swaps")

Any IR Swap with the following characteristics is included in the MAT Submission and Determination:

| | |
|----------------------------|---|
| <i>Contract Overview</i> | An agreement to exchange one stream of cash flows for another where one stream is based on a floating rate, for a given notional amount over a specified term, and the other stream is based upon either another floating interest rate or a fixed interest rate for the same notional and a given term. ⁴ |
| <i>Currency Units</i> | US Dollar, British Pounds, & Euros. |
| <i>Floating Rate Index</i> | USD LIBOR, Sterling LIBOR, & EURIBOR ⁵ |
| <i>Swap Conventions</i> | <i>Fixed Leg</i> <ul style="list-style-type: none">• Payment Frequency: Monthly, Quarterly, Semi-Annual, Annual |

⁴ For the avoidance of doubt this includes Forward Rate Agreements.

⁵ The reference price for the floating leg of IRS Products is the London Interbank Offered Rate for USD LIBOR, Sterling LIBOR, EURIBOR ("LIBOR"). LIBOR is the lowest perceived rate at which banks can borrow unsecured funds from other banks in the London interbank market for a specified time period in a particular currency. LIBOR is calculated daily by the BBA Libor Ltd. in conjunction with Thomson Reuters.

- Day Count Convention: 30/360, 30E/360, ACT/360, ACT/365, ACT/ACT
- Holiday Calendars: London, New York, TARGET⁶
- Business Day Conventions: -Following, Modified Following with adjustment to period end dates & unadjusted for period end dates

Floating Leg

- Payment/Resets : Monthly, Quarterly, Semi-Annual, Annual
- Day Count Conventions: ~~30/360, 30E/360~~, ACT/360, ACT/365, ~~ACT/ACT~~,
- Holiday Calendars: London, New York, TARGET
- Business Day Conventions: Following, Modified Following with adjustment to period end dates & unadjusted for period end dates

Swap Term or Swap Tenor

- For Fixed-to-Floating Swaps and Basis Swaps, the duration of time from the effective date to the maturity date. A contract can have a Swap Term from ~~284 month-days~~ to ~~5431~~ years.
- For Forward Rate Agreements, the duration of time from the effective date to the maturity date. A contract can have a Swap Term from 3 days to 3 years.

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Effective or "Start" 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

Fixed Leg: The payment amount of the Fixed Leg is based on the following: Notional, Fixed Interest Rate, Payment Frequency, Number of days in the interest accrual period, and Day Count Convention.

Floating Leg: The payment amount of the Floating Leg is based on the following: Notional, Floating Interest Rate Index, Payment Frequency, Number of days in the interest accrual period, and Day Count Convention.

Payments are settled in accordance with the payment frequency of the swap.

*Trade Start Types²**Same Day:*

A new swap where the Effective Date is the same day as the trade date

Next Day:

A new swap where the Effective Date is T+1 from the trade date.

⁶ TARGET shall mean any day on which TARGET (the Trans-European Automated Real-time Gross settlement Express Transfer system) is open.

⁷ It is intended that swaps with Effective Dates prior to T+1 are captured in this filing. These are often referred to as Aged Swaps or Seasoned Swaps. Aged swaps are often traded as end-users seek to unwind swap transactions that were originally put on as Spot or Forward Starting. Forward Starting trades become Spot and then Aged swaps as time passes. For this reason it is important that Aged swaps are also in scope, as they represent the same underlying swaps at a later point in the lifecycle of that swap transaction. Traditional swap market markers provide liquidity to end-users in Aged Swaps.

Spot:

A new swap where the Effective Date is T+2 from the trade date.

Forward:

A new swap with an effective date on any day after the spot start date, before the maturity date, and no longer than ~~50 years and 11~~ 10 months.

Trade Types

"Rate Trades"; interest rate swaps
 "Spreads"; combination of interest rate swaps and US Treasury Bonds purchases or sales.
 IMM⁸; interest rate swaps where Effective Date, Accrual Dates and Maturity Date are IMM Dates.

Notional Types

"MAC" Swaps; Market Agreed Coupon
 "Fixed Notional." Notional remains constant over term of swap.
~~"Variable Notional Swaps." Notional changes over term of swap.~~

Settlement

As determined by the clearing house.

Listing Requirement for Swaps under the MAT Submission & Determination

Commission rule 17 CFR 37.10(2) requires that the SEF that makes a swap available to trade must list or offer that swap for trading on its trading system or platform. Accordingly, Javelin certifies that all Submission Swaps discussed above in the section entitled "IR Swaps for MAT Submission & Determination" are currently listed by Javelin and have been submitted to the Commission pursuant rule 40.2.⁹

Clearing Requirement for Swaps under the MAT Submission & Determination

At least initially, the Commission has stated that it will only review MAT submissions for swaps that it has first determined to be subject to the clearing requirement under Section 39.5 of the commission's regulations. Accordingly, Javelin asserts that all Submission Swaps discussed above in the section entitled "IR Swaps for MAT Submission & Determination" are currently ~~cleared by at least one clearing house~~ subject to mandatory clearing.

Commission Factors considered for IR Swaps in MAT Submission & Determination

Commission rule 17 CFR 37.10(b) and Commission rule 17 CFR 38.12(b) require the SEF or DCM to consider certain factors ("Commission Factors") as appropriate in making a swap available to trade for the purposes of 2(h)(8) of the CEA.¹⁰ Javelin notes that the Commission considers no one factor dispositive.

⁸ IMM shall mean the four quarterly dates of each year which are the third Wednesday of March, June, September, and December in accordance with the International Monetary Market calendar a division of the CME Group.

⁹ See website: www.thejavelin.com/products

¹⁰ 78 FR 33630.

Javelin further notes that the Commission permits the SEF to consider swaps in groups or categories if the required Commission Factor is readily applied to all swaps within the particular group or category.¹¹ With regard to Submission Swaps, Javelin considers the Commission Factors relative to certain categories, classes and maturity buckets.

| Category | A | B | C |
|---------------------------|--------------------------------------|--------------------------------------|--------------------------------------|
| <i>Currency</i> | <i>USD</i> | <i>EUR</i> | <i>GBP</i> |
| <i>Index</i> | <i>Libor</i> | <i>Euribor</i> | <i>Libor</i> |
| <u>Mat. Bucket</u> | | | |
| <i>Front-end</i> | <i>0-5.00 Yrs</i> | <i>0-5.00 Yrs</i> | <i>0-5.00 Yrs</i> |
| <i>Curve Middle</i> | <i>5.01-10 Yrs</i> | <i>5.01-10 Yrs</i> | <i>5.01-10 Yrs</i> |
| <i>Curve Back-end</i> | <i>10.01-51 31 Yrs</i> | <i>10.01-51 31 Yrs</i> | <i>10.01-51 31 Yrs</i> |
| <u>Class 1</u> | <i>Fixed Notional</i> | <i>Fixed Notional</i> | <i>Fixed Notional</i> |
| | <i>Spot Effect. Date</i> | <i>Spot Effect. Date</i> | <i>Spot Effect. Date</i> |
| <u>Class 2</u> | <i>Fixed Notional</i> | <i>Fixed Notional</i> | <i>Fixed Notional</i> |
| | <i>Certain Forward Effect. Dates</i> | <i>Certain Forward Effect. Dates</i> | <i>Certain Forward Effect. Dates</i> |
| <u>Class 3</u> | <i>Variable Notional</i> | <i>Variable Notional</i> | <i>Variable Notional</i> |
| | <i>Spot & Forward</i> | <i>Spot & Forward</i> | <i>Spot & Forward</i> |

Figure 1.0

Javelin identifies IR Swap categories based upon two core attributes for Submission Swaps: Currency and Floating Rate Index. Within each category, Javelin further considers *three* maturity buckets: *Curve Front-end (0-5.00 Years)*, *Curve Middle (5.01-10 Years)*, and *Curve Back-end (10.01-~~51~~ 31 Years)*. Finally, Javelin considers each category into ~~three~~ *two* classes: *Class 1* "Fixed Notional, Spot Effective Date," *and Class 2* "Fixed Notional, *Certain* Forward Effective Dates," *and Class 3* "*Variable Notional, both Spot & Forward Effective Dates*" (See Figure 1.0 above).

Category A Swaps includes all Submission Swaps that are US dollar denominated and use LIBOR for its Floating index and which have with maturities from ~~31~~ *days* to ~~51~~ *31* years and have either spot *effective dates* or forward ~~start effective~~ *dates* *no longer than 10 months* and have ~~either~~ a fixed ~~or~~ *variable* notional.

Category B Swaps includes all Submission Swaps that are Euro denominated and use EURIBOR for its Floating index and which have ~~with~~ maturities from ~~31~~ *days* to ~~51~~ *31* years and have either spot *effective dates* or forward ~~start effective~~ *dates* *no longer than 10 months* and have ~~either~~ a fixed ~~or~~ *variable* notional.

Category C Swaps includes all Submission Swaps that are British Pound denominated and use Sterling LIBOR for its Floating index and which have ~~with~~ maturities from ~~31~~ *days* to ~~51~~ *31* years and have either spot *effective dates* or forward ~~start effective~~ *dates* *no longer than 10 months* and have ~~either~~ a fixed ~~or~~ *variable* notional.

¹¹ 78 FR 33611.

Javelin asserts that each Commission Factor considered applies to all swaps within the given group Category, notwithstanding certain maturity and class considerations discussed below.

Part 37.10(b)(1) Willing Buyers and Sellers

Commission Factor 37.10(b)(1) asks the SEF to consider whether there are “ready and willing buyers and sellers” with respect to a submission swap or class.¹² First, ‘willing buyers and sellers’ includes all swap dealers who, as ‘market makers,’ are prepared to provide a price for a swap in a given Category at any given time. Currently, the CFTC has 79 registered swap dealers who routinely act as willing buyers and sellers in the IR Swaps marketplace.¹³ These dealers may be found providing liquidity on at least 13 temporarily registered SEFs or trade execution platforms. Many dealers also have single dealer platforms through which they provide liquidity to the marketplace. Still other dealer provides liquidity to customers by phone.

Figure 2.0 below shows swap dealers per Submission Swaps Category. For *Category A* swaps, Javelin has identified 20 swap dealers who routinely act as willing buyers and sellers to the US dollar Libor market. For *Category B* Swaps, Javelin has identified 22 swap dealers who routinely provide liquidity to the Euro Euribor IR Swaps market. For *Category C* Swaps, there are at least 7 swap dealers who act as market makers for the British Pound Libor indexed swap marketplace.

Willing Buyers & Sellers: Dealers

| <u>Category A</u> | | <u>Category B</u> | | <u>Category C</u> |
|-------------------|------------------|-------------------|-----------------|-------------------|
| BoA Merrill | Barclays | BoA Merrill | Barclays | Barclays |
| BNP Paribas | CIBC | BBVA | BNP Paribas | Deutsche |
| Citigroup | Commerzbank | Commerzbank | Credit Agricole | Goldman Sachs |
| Credit Agricole | Credit Suisse | Credit Suisse | Citigroup | HSBC |
| Deutsche | Goldman Sachs | Deutsche | Danske | JP Morgan |
| HSBC | JP Morgan | HSBC | Goldman Sachs | Lloyds |
| Morgan Stanley | Natixis | JP Morgan | ING | RBS |
| Nomura | RBC | Morgan Stanley | Landesbank BW | |
| RBS | Societe Generale | RBS | Natixis | |
| UBS | Wells Fargo | Societe Generale | Santander | |
| | | Unicredit | UBS | |

Figure 2.0

Source: Dealers, CFTC

¹² *Ibid.*

¹³ See website: www.cftc.gov/lawregulation/DoddFrankAct/registerswapdealer.

Such dealers (listed per swap Category above) are ready and willing buyers and sellers for all swaps within the Category across all three maturity buckets. With regard to *Class 1* and *Class 2* swaps, the same listed dealers routinely provide liquidity for any swap on a *spot* or certain *forward* basis within the given Category. ~~Because variable notional swaps are nothing more than aggregates of spot and forward settle swaps to differing terms or maturities, most dealers within each Category also act as willing buyers and sellers of Class 3 swaps.~~

It is important to note, that traditional swap dealers are not the only liquidity providers willing to make a price to the IR Swaps marketplace. Non-traditional market makers are currently entering the market to act as willing buyers and sellers of swaps in all three Submission Swap Categories. Currently, multiple electronic or 'algorithmic' trading firms routinely act as market makers in other assets classes such as interest rate futures and options, commodity derivatives, equities and equity derivatives to name but a few. Several of these firms are expected to enter the IR Swaps market to provide liquidity in all three submission swap categories.

Further, with the advent of *all-to-all* trading platforms, customers are now able to provide liquidity to the market place for the first time. That is, on several platforms, customers are now able to submit *limit orders*—where they submit the *highest* bid or *lowest* offer. As such, customers now act as willing price providers each time they enter a limit order for a swap classified in any of the three submission categories.

Upon analysis of the IR Swaps market liquidity composition, Javelin asserts that there is a substantial number of *willing buyers and sellers* of Submission Swaps for all three Categories. This analysis includes traditional bank dealers who routinely make markets, but also considers the positive liquidity impact occurring from the arrival of non-traditional price makers and *customer-to-customer* price providing in all three Categories for the first time.

Part 37.10(b)(2) & (3) Volume and Trade Count

Commission Factor 37.10(b)(2) and (3) asks the SEF to consider the volume, frequency and the transaction size with respect to a submission swap or class.¹⁴ The IR swap market is generally accepted to be one of the largest and most liquid markets in the world. For example, one clearing house, LCH.Clearnet, reports that it currently has over \$425 Trillion of notional swaps in clearing.¹⁵ That is, for every one dollar of GDP created by the United States, LCH.Clearnet has over \$28 of cleared swaps notional outstanding. Of the total notional outstanding at LCH.Clearnet, US dollar swaps comprise 30.6%, Euro swaps 45.2% and GBP swaps comprise 11.1%.¹⁶

Figure 3.0 below considers the *volumes traded* per submission Category across maturity on a *year to date* basis. We sourced this volume data from LCH.Clearnet.¹⁷ Because LCH.Clearnet claims to be 50% of the market, we multiplied the volume data by two to return a global volume data result for such

¹⁴ Ibid.

¹⁵ See website: www.swapclear.com/what/clearing-volumes.html

¹⁶ Ibid.

¹⁷ Ibid.

submission swaps.¹⁸ Javelin believes this data to be conservative because not all swap trades are cleared.

Submission Swap Volume: 2013 Year to Date

| Category | 0-5.0 Years | 5.01-10 Yrs | 10.01- 51 31 Yrs | Total |
|------------|-------------|-------------|-----------------------------|-------------|
| Category A | 90,788,077 | 10,738,375 | 6,931,711 | 108,458,163 |
| Category B | 115,274,064 | 13,634,567 | 8,801,744 | 137,710,375 |
| Category C | 28,701,070 | 3,394,750 | 2,181,063 | 34,276,883 |

Figure 3.0

Source: LCH

Source data for Category A Swaps reveals that a total notional of 108.47 Trillion has traded so far year. Such volume is broken down into *Curve Front-end 90.79 Trillion*, *Curve Middle 10.74 Trillion* and *Curve Back-end ~~6.946.93~~ Trillion*.

Source data for Category B Swaps reveals that a total notional of 137.72 Trillion has traded so far year. Such volume is broken down into *Curve Front-end 115.27 Trillion*, *Curve Middle 13.63 Trillion* and *Curve Back-end ~~8.81-8.80~~ Trillion*.

Source data for Category C Swaps reveals that a total notional of 34.29 Trillion has traded so far year. Such volume is broken down into *Curve Front-end 28.70 Trillion*, *Curve Middle 3.39 Trillion* and *Curve Back-end ~~2.192.18~~ Trillion*.

Front-end bucket volumes across all three Categories are noticeably higher than those for the other two longer dated maturity buckets. This is because they include Floating Rate Agreements (FRAs) that, though shorter in maturity, trade in large sizes.

Already a large market by notional outstanding, the *year to date* trade volumes for each submission Category confirm that sizable liquidity exists in this vibrant market when considered both on an aggregate Category basis or by individual maturity bucket within a given Category.

¹⁸ LCH counts each side of the trade to determine volume. We count only one trade side.

Submission Swap Trade Count: 2013 Year to Date

| Category | 0-5.0 Yrs | 5.01-10 Yrs | 10.01- 51 31 Yrs | Total |
|------------|-----------|-------------|-----------------------------|---------|
| Category A | 215,734 | 186,378 | 88,458 | 490,570 |
| Category B | 70,044 | 36,472 | 21,850 | 128,366 |
| Category C | 41,286 | 20,722 | 12,634 | 74,642 |

Figure 3.1

Source: DTCC, CME

Figure 3.1 considers the *trade count* per submission Category across maturity on a *year to date* basis. We sourced such data from both DTCC SDR daily trade files and CME SDR website.^{19 20} Upon analysis of the data, it was determined that the *trade volume* data was incomplete and thus we used only *trade count* data from the SDRs for Submission Swaps.²¹ Such trade count data, however, we believe to be conservative because not all swap trades are required to be submitted to an SDR.

Trade *count* data from both SDRs, supports the notion that there exists considerable liquidity for the Submission Swaps that comprise Category A, B and C. Category A Swaps have traded ~~491,416~~ 490,570 trade sides year to date or for 205 trading sessions. Likewise, Category B Swaps have traded ~~129,442~~ 128,366 trade sides so far this while Category C Swaps have traded ~~76,360~~ 74,642 trade sides so far this year. The average daily trade count for all three Categories combined is ~~3,401~~ 3,383.

Javelin asserts that the swaps market is one of the largest and most liquid globally when volume, trade count and average trade size is considered. There is ample liquidity for Submission Swaps in Category A, B and C when trade volumes and trade frequency are considered in total or by maturity bucket.

Part 37.10(b)(5) Bids/Offer Spread

Commission Factor 37.10(b)(5) asks the SEF to consider the Bid-Offer spread with respect to the submission swap or class.²² It is well established that one method through which to judge product liquidity is to measure the *Bid-Offer* spread of the instrument traded. The wider the *Bid-Offer* spread, the more expensive the transaction cost and the less liquid the product is generally considered. The tighter the *Bid-Offer* spread, the cheaper it is to enter and exit the product, hence the lower the transaction cost. Products with tighter *Bid-Offer* spreads are thus more liquid and have less ‘friction’ for the market participant.

¹⁹ See website: www.cmegroup.com/market-data/repository/data.html?assetClass=Interest+Rate

²⁰ See website: <http://rtdata.dtcc.com/gtr/dashboard.do>

²¹ For example, block trades submitted to the SDR do not specify the full notional amount and trades with zero notional were excluded from the trade count.

²² 78 FR 33630.

Submission Swaps: Bid /Offer Spread (Liquid Points)

| Category | 1yr | 2yr | 3yr | 4yr | 5yr | 6yr | 7yr | 8yr | 9yr | 10yr | 15yr | 20yr | 30yr |
|-----------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|-------------|-------------|-------------|-------------|
| Category A | 0.30 | 0.40 | 0.50 | 0.50 | 0.30 | 0.40 | 0.40 | 0.30 | 0.40 | 0.30 | 0.40 | 0.40 | 0.40 |
| Category B | 0.60 | 0.40 | 0.30 | 0.30 | 0.30 | 0.40 | 0.30 | 0.40 | 0.40 | 0.40 | 0.60 | 0.70 | 0.80 |
| Category C | - | 1.20 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 0.90 | 1.00 | 1.10 | 1.20 | 1.10 |

Figure 4.0

Source: Bloomberg

Figure 4.0 above considers the *Bid-Offer* spread differential for all liquid swap points for each submission swap category expressed as *basis points* of yield.²³ For liquid points in the *Front-end* (0.0-5.0 years) maturity bucket, we observe that the average *Bid-Offer* spread for Category A Swaps is 0.40 basis points. For Category B Swaps, we observe an average *Bid-Offer* spread of 0.38 basis points and for Category C Swaps, we observe an average *Bid-Offer* spread of 1.05 basis points.

Likewise, for liquid points in the *Curve Middle* (5.01-10 years) maturity bucket, we observe that the average *Bid-Offer* spread for Category A Swaps is 0.36 basis points. For Category B Swaps, we observe an average *Bid-Offer* spread of 0.38 basis points and for Category C Swaps, we observe an average *Bid-Offer* spread of 0.98 basis points.

Lastly, for liquid points in the *Curve Back-end* maturity bucket (10.01-~~54~~31 Years), we observe that the average *Bid-Offer* spread for Category A Swaps is 0.40 basis points. For Category B Swaps, we observe an average *Bid-Offer* spread of 0.70 basis points and for Category C Swaps, we observe an average *Bid-Offer* spread of 1.13 basis points.

Upon consideration, it is clear that such *Bid-Offer* spreads are already quite tight and characteristic of considerable liquidity for Category A, B and C Submission Swaps. Further, based on empirical evidence from other asset classes, it is well established that such *Bid-Offer* spreads should tighten as new trade execution venues, and alternative liquidity providers enter the marketplace to make markets for such Submission Swaps.

Part 37.10(b)(6) Usual Number of Bids & Offers

Commission Factor 37.10(b)(6) asks the SEF to consider the usual number of resting firm or indicative bids and offers with respect to a submission swap or class.²⁴ To more accurately measure product liquidity, it is important to consider, not just volume, but the *available liquidity* measured by the total number of available bids and offers and their associated size.²⁵

By contrast, traditional volume measurements may consistently undercount product liquidity because they fail to capture all willing buyers and sellers at the clearing price at a given time in the market. That

²³ Javelin may offer additional data Figure 4.0.

²⁴ 78 FR 33630.

²⁵ See SDMA Comment Letter submission to CFTC re Block Trade Thresholds (dated 2/2/12) for a more complete discussion of Available Liquidity.

is, market volume for a given interval may show low trade activity (thus “low liquidity”), but there could still be a significant number of bidders and sellers in the market for large amounts (thus high “*available liquidity*”).

Number of Bids/Offer

| Category | 2yr | 3yr | 4yr | 5yr | 6yr | 7yr | 8yr | 9yr | 10yr | 15yr | 20yr | 30yr |
|------------|-----|-----|-----|-----|-----|-----|-----|-----|------|------|------|------|
| Category A | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 6 |
| Category B | 5 | 6 | 6 | 6 | 6 | 6 | 5 | 5 | 5 | 6 | 5 | 5 |
| Category C | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 |

Figure 5.0

Source: Bloomberg

Figure 5.0 considers the available number of bids and the number of offers for given swaps for Categories A, B and C.²⁶

Figure 5.0 for *Category A* Swaps reveals the total number of Bids and Offers for the following maturity buckets: *Curve Front-end 24 bids/24 offers*, *Curve Middle 30 bids/30 offers* and *Curve Back-end 18 bids/18 offers*.

Figure 5.0 for *Category B* Swaps reveals the total number of Bids and Offers for the following maturity buckets: *Curve Front-end 23 bids/23 offers*, *Curve Middle 27 bids/27 offers* and *Curve Back-end 16 bids/16 offers*.

Figure 5.0 for *Category C* Swaps reveals the total number of Bids and Offers for the following maturity buckets: *Curve Front-end 8 bids/8 offers*, *Curve Middle 10 bids/10 offers* and *Curve Back-end 6 bids/6 offers*.

SUM of Bids/Offers (MM)

| Category | 2yr | 3yr | 4yr | 5yr | 6yr | 7yr | 8yr | 9yr | 10yr | 15yr | 20yr | 30yr |
|------------|-------|-------|-------|-----|-----|-----|-----|-----|------|------|------|------|
| Category A | 1,700 | 1,200 | 1,000 | 850 | 770 | 650 | 555 | 465 | 425 | 265 | 210 | 165 |
| Category B | 800 | 700 | 525 | 525 | 450 | 425 | 375 | 375 | 375 | 237 | 105 | 82 |
| Category C | 100 | 85 | 50 | 45 | 45 | 43 | 41 | 39 | 38 | 34 | 31 | 30 |

Figure 5.1

Source: Bloomberg

Figure 5.1 considers the sum notional of the available Bids or Offers observed in Figure 5.0, in local currency.

For *Category A* Swaps, we observe the following sum notional associated with either the bids or offers across maturity bucket *Curve: Front-end 4.75 Billion Bid Size/4.75 Billion offer size*, *Curve Middle 2.865 Billion Bid Size/2.865 Billion offer size* and *Curve Back-end 640 Million Bid Size/640 Million offer size*.

²⁶ Javelin may offer additional data for Figure 5.0 and Figure 5.1.

For Category B Swaps, we observe the following sum notional associated with either the bids or offers across maturity bucket *Curve: Front-end 2.55 Billion Bid Size/2.55 Billion offer size, Curve Middle 2.00 Billion Bid Size/2.00 Billion offer size and Curve Back-end 424 Million Bid Size/424 Million offer size.*

For Category C Swaps, we observe the following sum notional associated with either the bids or offers across maturity bucket *Curve: Front-end 280 Million Bid Size/280 Million offer size, Curve Middle 206 Million Bid Size/206 million offer size and Curve Back-end 95 Million Bid Size/95 Million offer size.*

It should be noted that both tables highlight a current shortcoming of such a method—lack of available data. For both tables, Javelin only observed data from Bloomberg, one out of several trade venues. Other trade venues have not yet gone fully operational or may not be directly accessible. We expect this to change though in the coming weeks and months and thus this shortcoming should abate.

That ‘available’ data is a smaller subset of ‘usual’ data is highlighted by the fact that not all dealers for a given category were observed on the venue. In fact, for Categories A, B and C Swaps, only 28-30% of dealers were observed.

Further, tables 5.0 and 5.01 only capture bids and offers in ~~the order book one system~~. They do not capture the usual number of bids and offers that are available upon request for all Submission Swaps by the Request For Quote (“RFQ”) execution method. RFQ is certainly the more prevalent or ‘usual’ trade execution method today for Submission Swaps, but this data is not yet generally available.

Consequently, it is not unreasonable to assume that ‘usual’ liquidity is significantly greater than the observed ‘available’ liquidity evidence in tables 5.0 and 5.1.

But notwithstanding the lack of available data, the observed liquidity, measured by total number of bids or offers here, certainly reflects quite a vibrant and liquid market for Submission Swaps across Categories A, B, C — when considered per maturity bucket. For example, for Category A & B Swaps for the first two maturity buckets, there was anywhere between 23 and 30 bids or offers for the *on the run* points.

Such a conclusion is further supported by the *total notional* available and willing to trade associated with such bids and offers in table 5.0. For example, for Category A and B Swaps for the first two maturity buckets, there was anywhere from a sizeable \$2.50 Billion to \$4.75 Billion available to trade at any one time on either the bid or offered side of the market.

In conclusion, Javelin asserts that when the usual number of bids and offers are considered (either by number or associated notional)—there is significant liquidity for Submission Swaps in Categories A, B and C.

Classification by Maturity Bucket: Acceptable Approach?

Is it proper to consider trade volume, size, bid-offer spread or the number of bids and offers grouped by trade bucket with a given Category?

Javelin asserts that, because of the *Market Breadth* approach and the portfolio approach in which swaps are risk managed, the liquidity characteristics of one swap, or group of swaps, (e.g. 2yr, 3yr, 4yr, 5yr) readily carries to all Submission Swaps within the same maturity bucket.

Market Breadth $\approx \sum AL_{\text{focus swap, hedge swaps}}$

Market Breadth is broadly defined as the total sum of available liquidity of the focus swap, in addition to the available liquidity of the swap or basket of swaps used to hedge or risk manage it.²⁷

Simply put, a given swap (a “focus swap”) may be routinely hedged by another swap of like duration or by a basket of swaps of different maturities with a like duration. Thus, the liquidity characteristics of the hedge swap or basket of hedge swaps readily carries to that of the other (“focus swap”).

For example, a market practitioner may hedge a 3.6 Year USD IR Swap with a duration weighted basket of both 3 Year USD IR Swaps and 4 Year USD IR Swaps. That is, the risk of a 3.6 USD IR swap may be synthetically replicated (and thus hedged) by a basket of more liquid swaps within the same maturity bucket.

If this risk manager is a dealer who is asked to provide a price on the 3.6 IR swap (“focus swap”), the bid-offer quoted is directly related to the liquidity characteristics of her hedge basket; in this instance the 3yr and 4 yr IR swap (“hedge swaps”). Though never exactly equal, the liquidity of one is directly related to that of the other. The *less* liquid the hedge swaps, the wider the *Bid-Offer* spread will be on the *focus swap* to compensate the price provider for the higher production cost. Conversely, the *more* liquid the hedge swaps, the tighter the Bid-Offer spread should be on the focus swap.

Consequently, Javelin determines the liquidity characteristics of one swap or basket of swaps is transitive and generally carries to all other swaps that may be accurately replicated by use of such hedge swaps. Since all swaps with a given Javelin maturity bucket may be synthetically replicated or risk managed by baskets of more liquid ones within the same bucket—it is entirely appropriate that Javelin asserts that the liquidity attributes of the *On-the-Run* swaps (2yr, 3yr, 4yr, 5yr etc.) within a given maturity bucket (considered above) carry to all other swaps within that same bucket.

Javelin Methodology Consistent with DCOs

Such a portfolio approach is consistent with other market practitioners such as DCOs with regard to liquidity considerations and IR swaps classification.

In its *Made Available to Clear* determination, LCH.Clearnet asserted that it was “counterproductive to define every single attribute and combination that could be found in an IR swap.”²⁸ Instead, it recommended broad primary attributes for classification. Such attributes include: currency, floating

²⁷ See SDMA Comment Letter submission to CFTC re Block Trade Thresholds (dated 2/2/12) for a more complete discussion of Market Depth.

²⁸ Page 6. LCH.Clearnet Submission to CFTC (2/24/2012).

rate index, swap type (floating versus fixed, or floating versus floating), maturity, notional type (fixed, variable).

Javelin notes that its classification methodology is quite similar to that of LCH.Clearnet.

With regard to liquidity, LCH.Clearnet believed that, while it was one of the most important characteristics in deciding whether to clear a swap or swap class, “traditional listed futures measures of liquidity” are not readily applicable because the vast majority of swaps were not fungible.²⁹ According to LCH.Clearnet, for IR swaps, “volume in isolation is not a reliable indicator of liquidity.”³⁰ Consequently, LCH.Clearnet opted to consider liquidity as a function of outstanding notional, by maturity bucket and currency, among other factors.

Classification by Classes 1 & 2, 2 & 3: Acceptable Approach?

Is Javelin’s use of subclass within its three main Categories an acceptable approach?

Within Category A, B or C Swaps, Javelin classifies swaps into three Classes: *Class 1, Class 2 and Class 3*. Javelin asserts that such a classification is entirely appropriate and consistent when considering the Commission Factors as appropriate.

Class 1 and Class 2 Submission Swaps

Class 1 and Class 2 IR swaps are those instruments with a fixed notional, but where their start or effective dates are different. Class 1 swaps have *spot* effective dates or start dates. Class 2 swaps have *forward* effective dates no further than 10 months.

Because IR swaps with *spot* and *forward* dates are mathematically related, Javelin observes that liquidity considerations of Class 1 swaps directly carry to the liquidity considerations of Class 2 IR swaps within a given Category.

$$r_{t_1, t_2} = \left(\frac{(1 + r_2)^{d_2}}{(1 + r_1)^{d_1}} \right)^{\frac{1}{d_2 - d_1}} - 1$$

Figure 6.0

Figure 6.0 considers the general mathematical relationship between the spot and forward rate where r_{t_1, t_2} is the forward rate between term t_1 and term t_2 ; and where d_1 is the time length between time 0 and term t_1 ; and where d_2 is the time length between time 0 and term t_2 ; and where r_1 is the spot yield for the time period $(0, t_1)$ and where r_2 is the spot yield for the time period $(0, t_2)$.

²⁹ Page 2. LCH.Clearnet Submission to CFTC (2/24/2012).

³⁰ Ibid.

Simply put, an IR swap with a *forward* start date may be synthetically created (therefore hedged) by a combination of IR swaps that have different *spot* maturity dates. For example, a ~~2.5 two~~ year swap-~~1-year~~ 6 months *forward* is nothing more than the difference of a ~~one-year~~ six month swap, *spot* effective date and a *three* year swap, *spot* effective date.

Consequently, Javelin believes it entirely appropriate and consistent that the Commission Factors considered for one class directly carry to attributes of the other, especially when considering *On-the-Run* swaps (2yr, 3yr, 4yr, 5yr etc.) that have *spot* effective dates.

Class 3 Submission Swaps

~~Class 3 IR swaps are those instruments that have variable notionals. Such IR swaps include amortizing swaps, "roller coasters" and those that may have increasing notionals over the term. Such swaps, however, are nothing more than aggregates of IR swaps of fixed notionals with differing effective or end dates.~~

~~Because such Class 3 Submission Swaps may be synthetically replicated (or hedged) by combinations of Class 1 and Class 2 swaps, Javelin observes that the liquidity considerations of Class 1 and Class 2 swaps directly carry to the liquidity considerations of Class 3 IR swaps within a given Category.~~

Part 37.10(b)(4) Number and Type of Market Participants

Commission Factor 37.10(b)(4) asks the SEF to consider "the number and types of market participants" with respect to a submission swap or class.³¹

Javelin notes that there are several types of market participants that trade Submission Swaps to either manage interest rate exposure or to optimize returns. Javelin considers the various participant types and the number of participants associated with each participant group.

- 1) *Swap Dealers*. Swap dealers act as liquidity providers for a wide range of submission swaps where, acting as market makers, they seek to capture the Bid-Offer spread. Such dealers may also take proprietary positions to express views on interest rates, curve anomalies etc. to increase revenue. Dealers also utilize submission swaps as the building blocks, among other derivatives, to offer clients more bespoke interest rate structures to more acutely address their need. There are 79 dealers registered with the CFTC.³²
- 2) *Electronic Trading Firms*. Nontraditional price providers are currently entering the swaps market as transparency increases. Such firms engage in manual, automated, and hybrid methods of trading and are active in a variety of asset classes, such as foreign exchange, commodities, fixed income, and equities. Such firms are a critical source of liquidity in the exchange-traded markets. Javelin notes that it's trade association, the FIA PTG, has presently 31 members.³³

³¹ 78 FR 33630.

³² See website: www.cftc.gov/lawregulation/DoddFrankAct/registerwapdealer

³³ See website: <http://www.futuresindustry.org/ptg/default.asp>

- 3) *Commercial Banks*. Banks are perhaps one of the largest and most significant participant groups globally that use submission swaps. Banks routinely hedge considerable interest rate risk associated the assets and liabilities with regard to all their core business-both commercial and retail. Such commercial banks range in balance sheet from a few hundred million to several trillion. In the US alone, there were over 8,300 hundred banks in 2008.³⁴
- 4) *GSEs/Mortgage Servicers/Originators*. Home mortgage related participants regularly deploy submission swaps to manage interest rate risk of underlying mortgage portfolios of commercial and retail borrowers.
- 5) *Hedge Funds*. Hedge fund managers utilize a wide range of Submission Swaps as part of their investment strategy for the funds they manage. Seeking to optimize total returns, hedge funds seek capital efficient products such as swaps to express views or capture imbalances on interest rate curves, either macro or micro, in order to generate revenue and returns for their investors. Javelin notes the Managed Funds Association (MFA) has 107 firms as members.³⁵
- 6) *Asset Mangers ("Real Money")*. Asset Managers are also large users of Submission Swaps. Such participants seek to optimize total returns for the multiple funds that they manage. Such participants use Submission Swaps to both hedge interest rate risk exposure, but also take deploy swaps to earn absolute returns.
- 7) *Insurance Companies*. Insurance companies routinely hedge considerable interest rate risk associated with their assets and liabilities with regard to all core insurance products - both commercial and retail using Submission Swaps. Javelin notes that the American Insurance Association lists 233 Insurance companies in the US.³⁶
- 8) *Pension Funds*. Pension fund participants use Submission Swaps to manage interest rate risk with regard to investment and liability portfolios that tend to be longer in duration. The National Association of State Retirement Administrators (NASRA) lists 82 firms as its members.³⁷
- 9) *REITs*. Real Estate Investment Trusts utilize Submission Swaps to hedge interest rate risk on balance sheet and minimize fund exposure to interest rate movements.
- 10) *Corporate Treasurers/Municipalities*. Such market participants regularly use Submission Swaps to hedge and manage interest rate risk or optimize funding options in the bond markets.

Upon consideration of the participant landscape for Submission Swaps, Javelin asserts that there are several thousands of market participants globally, that may be broadly categorized into ten groups.

³⁴ See website: <http://www4.fdic.gov/IDASP/index.asp>

³⁵ See website: <http://www.managedfunds.org/>

³⁶ See website: <http://www.aiadc.org/aiapub/>

³⁷ See website: <http://www.nasra.org/members>

Such participants utilize swaps in many different ways such as market making, risk management or asserting outright views on the market to enhance total returns.

Conclusion

Javelin has accurately classified its MAT determination for Submission Swaps into readily definable Categories based on currency and floating rate index. Classifying such Categories further by maturity bucket and subclass, Javelin has considered each of the six Commission Factors to these Categories and classes as appropriate.

Javelin further affirms that such Submission Swaps have been listed for clearing on at least one clearing house and that such Submission Swaps have been listed for trading in accordance with Part 40 Commission rules.

Finally, Javelin certifies that its MAT Submission and Determination comply with the CEA and the Commission's Regulations. Javelin SEF further certifies that this submission has been concurrently posted on Javelin SEF's website at <http://www.theJavelin.com>.

If you have any questions regarding this submission, please contact me at (212) 779-1600 or james.cawley@thejavelin.com.

Sincerely,

/s/James Cawley
CEO
Javelin SEF

[Attachments](#)

SUBMISSION COVER SHEET

Registered Entity Identifier Code (optional) 13-04R

Date: 10/29/2013

IMPORTANT: CHECK BOX IF CONFIDENTIAL TREATMENT IS REQUESTED. ☐

ORGANIZATION

Javelin 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

None applicable; terms and conditions of the Javelin SEF Interest Rate Swap Products are in the attached revised submission.

DESCRIPTION

In accordance with Commodity Futures Trading Commission ("CFTC") Regulation §40.2(a), this is a revised submission by Javelin SEF, LLC for CFTC review and approval of a product listing. We are submitting a revised clean copy and a red-lined copy of the submission.



October 15, 2013

VIA Electronic Submission

Office of the Secretariat
Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st Street, N.W.
Washington, DC 20581

Re: Javelin SEF, LLC Submission No. 13-04R

To Whom It May Concern,

Javelin SEF, LLC ("Javelin SEF") hereby notifies the Commodity Futures Trading Commission (the "Commission"), pursuant to Commission Regulation 40.2, of its revised product listing of Javelin SEF interest rate swap products ("CME IRS Products") on Javelin SEF beginning October 17, 2013 (the "Submission").

The Submission contains the following:

1. A summary of the terms of the CME IRS Products specifications
2. An explanation and analysis of the CME IRS Products' compliance with the relevant Core Principles for Swap Execution Facilities ("SEF Core Principles") as set forth by section 5h of the Commodity Exchange Act;
3. A certification that, concurrent with the filing of the Submission, Javelin SEF posted on its website a notice of pending certification of the CME IRS Products with the Commission.

1. Summary of Terms of the CME IRS Products

Contract Overview An agreement to exchange one stream of cash flows for another where one stream is based on a floating rate, for a given notional amount over a specified term, and the other stream is based upon either another floating interest rate or a fixed interest rate for the same notional and a given term.

Currency Units US Dollar, British Pounds, Euros

Floating Rate Index USD LIBOR, Sterling LIBOR, EURIBOR

Contract Size Increments of 1 million currency units

Minimum Size 1 million currency units notional

Trading Buy = Pay Fixed, Receive Float -or- Pay Float +/- Spread, Receive Float

Conventions Sell = Receive Fixed, Pay Float -or- Receive Float +/- Spread, Pay Float

JAVELIN SEF, LLC

443 PARK AVENUE SOUTH, 10TH FLOOR • NEW YORK, NEW YORK • 10016

PHONE: (212) 779-2300 • FAX: 646-588-2039

| | |
|---|--|
| Swap Conventions | <i>Fixed Leg</i> |
| | <ul style="list-style-type: none"> • Payment Frequency: Monthly, Quarterly, Semi-Annual, Annual • Day Count Convention: 30/360, 30E/360, ACT/360, ACT/365, ACT/ACT • Holiday Calendars: London, New York, TARGET¹ • Business Day Conventions: Following, Modified Following with adjustment to period end dates & Unadjusted for period end dates |
| | <i>Floating Leg</i> |
| | <ul style="list-style-type: none"> • Payment/Resets : Monthly, Quarterly, Semi-Annual • Day Count Conventions: ACT/360, ACT/365 • Holiday Calendars: London, New York, TARGET • Business Day Conventions: Following, Modified Following with adjustment to period end dates & Unadjusted for period end dates |
| Swap Tenor or Swap Term | The duration of time from the effective date to the maturity date. A contract can have a Swap Tenor from 1 day to 31 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 | Fixed Leg: The payment amount of the Fixed Leg is based on the following: Notional, Fixed Interest Rate, Payment Frequency, Number of days in the interest accrual period and Day Count Convention. |
| | Floating Leg: The payment amount of the Floating Leg is based on the following: Notional, Floating Interest Rate Index, Payment Frequency, Number of days in the interest accrual period and Day Count Convention. |
| | Payments are settled in accordance with the payment frequency of the swap. |
| Floating Fixing Date | <ul style="list-style-type: none"> • USD: The LIBOR Fixing Date is 2 London business days prior to the floating effective date. • GBP: The LIBOR Fixing Date is the same day as the floating effective date. • EUR: The EURIBOR Fixing Date is 2 TARGET London business days prior to the floating effective date. |

1 TARGET shall mean any day on which TARGET (the Trans-European Automated Real-time Gross settlement Express Transfer system) is open.

| | |
|-----------------------------|---|
| Trade Start Types | <p><i>Same Day:</i></p> <ul style="list-style-type: none"> • A new swap where the Effective Date is the same day as the trade date. <p><i>Next Day:</i></p> <ul style="list-style-type: none"> • A new swap where the Effective Date is T+1 from the trade date. <p><i>Spot:</i></p> <ul style="list-style-type: none"> • A new swap where the Effective Date is T+2 from the trade date. <p><i>Forward:</i></p> <ul style="list-style-type: none"> • A new swap with an effective date on any day after the spot start date, before the maturity date, and no longer than 13 months. |
| Trade Types | <ul style="list-style-type: none"> • “Rate Trades”; interest rate swaps • “Spreads”; combination of interest rate swaps and US Treasury Bond purchases or sales • IMM²; interest rate swaps where Effective Date, Accrual Dates and Maturity Date are IMM Dates. • “MAC” Swaps; Market Agreed Coupon • “Basis” Swaps; Exchange of two floating rate indices |
| Notional Types | “Bullet”; Notional remains constant over term of swap. |
| Settlement Procedure | As determined by the Clearing Venue |
| Trading Hours | Javelin SEF, LLC trading hours are Monday to Friday 7:30 am to 5:00 pm |
| Clearing Venue | CME |
| Block Trades | Block Trades may be submitted pursuant to Javelin SEF Rule 515 |
| Position Limits | As provided by Part 151 of the Commission’s Regulations. |
| Reporting Levels | As provided by Commission Regulation 15.03. |

2. Explanation and Analysis of CME IRS Products’ Compliance with SEF Core Principles

We have reviewed the SEF Core Principles and have identified that the listing of CME IRS Products may have bearing on SEF Core Principle 3: Swaps Not Readily Susceptible to Manipulation. For the reasons

2 IMM shall mean the four quarterly dates of each year which are the third Wednesday of March, June, September, and December in accordance with the International Monetary Market calendar a division of the CME Group.

stated below we believe that the listing of CME IRS Products complies with the Commodity Exchange Act and SEF Core Principle 3.

a. The Reference Price is not Readily Susceptible to Manipulation

The reference price for the floating leg of CME IRS Products is the London Interbank Offered Rate for USD LIBOR, Sterling LIBOR, and EURIBOR ("LIBOR"). LIBOR is the lowest perceived rate at which banks can borrow unsecured funds from other banks in the London interbank market for a specified time period in a particular currency. LIBOR is calculated each day by the BBA Libor Ltd. in conjunction with Thomson Reuters. Each day major banks submit their cost of borrowing unsecured funds for 15 periods of time in 10 currencies. Thomson Reuters audits the data submitted by panel banks and creates the rates using the definitions provided by BBA's FX & MM Committee, under the supervision of BBA. The LIBOR rate produced by Thomson Reuters is calculated by using a trimmed arithmetic mean. Once Thomson Reuters receives each bank's submissions Thomson Reuters ranks them in descending order and then drops the top and bottom quartiles – this is known as "trimming". The middle two quartiles, reflecting 50% of the quotes, are then averaged to create the LIBOR quote. The BBA drops the bottom and top quartiles in the calculation in order to increase the accuracy of the LIBOR quotes. Dropping the outliers is done because an outlier does not reflect the market rate and doing so limits the ability of any one bank to influence the calculation and affect the LIBOR quote. More information on the specifics on how LIBOR is calculated is available at www.bbalibor.com. Thomson Reuters and BBA Libor are regulated by the Financial Conduct Authority.

Because the reference rate is based on LIBOR, a rate that is derived from a third-party (not the Javelin SEF's Participants) and is subject to an auditable process by the BBA, the Contract is not readily subject to manipulation.

Recently, concerns have been raised regarding the reliability LIBOR as reference price. To address these concerns the British Government established an independent committee to recommend a new administrator for LIBOR known as the Hogg Tendering Advisory Committee for LIBOR ("Hogg Committee"). On July 9, 2013 the Hogg Committee announced that the British Bankers' Association accepted its recommendation that NYSE Euronext Rate Administration, Ltd become the new LIBOR administrator. It is anticipated that the transfer of the administration of LIBOR to that NYSE Euronext Rate Administration, Ltd will be completed in early 2014.

b. Conditions that Prevent CME IRS Products from Being Readily Susceptible to Manipulation

The terms of the IRS Product follow the current conventions of the over the counter market in interest rate swaps by providing both standard fixed terms and variable terms. (See description of product terms above). The interest rate swap market is the largest derivative asset class in the world, with an estimated \$441 trillion in notional principal outstanding in the OTC market as of December 2012 according to the Bank for International Settlements. See BIS Quarterly Review, September 2013 Page A10 Table 4 http://www.bis.org/publ/qtrpdf/r_q1309.pdf.

The profound depth to the interest rate swap market protects the CME IRS Products from manipulation. It is well established that deep liquid markets are very difficult to manipulate. All of the recent public scrutiny and changes to the administration of LIBOR, it make it difficult for an attempt by a single market participants or group or markets participants to manipulate the LIBOR reference price to go undetected.

Since all of the CME IRS Products are cash settled there is no deliverable supply that can be manipulated by market participants. Cash settlement is a further barrier that protects the CME IRS Products from market manipulation. In addition, should there be any attempt to manipulate the market Javelin SEF is confident its robust surveillance system will detect such improper trading activity.

c. Settlement Procedure

CME IRS Products that will be traded on the Javelin SEF are cash settled at the applicable Clearing House. Currently CME IRS Products will be cleared by the Chicago Mercantile Exchange "CME". The procedures used by the CME to settle CME IRS Products is stated in CME Rules (CME Rules are available at www.cmegroup.com). These rules set forth procedures that are transparent to the market and have been approved by the Commission.

3. Certification

Javelin SEF certifies that the CME IRS Products comply with the Commodity Exchange Act, 7 U.S.C. §1 *et seq.* and the regulations thereunder. Javelin SEF further certifies that this Submission has been concurrently posted on Javelin SEF's website at <http://www.theJavelin.com>.

In the event that you have questions, please contact me at (646) 307-5931 or suellen.galish@thejavelin.com.

Sincerely,

/s/Suellen M. Galish
General Counsel and Chief Compliance Officer



October 15, 2013

VIA Electronic Submission

Office of the Secretariat
Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st Street, N.W.
Washington, DC 20581

Re: Javelin SEF, LLC Submission No. 13-04R

To Whom It May Concern,

Javelin SEF, LLC ("Javelin SEF") hereby notifies the Commodity Futures Trading Commission (the "Commission"), pursuant to Commission Regulation 40.2, of its revised product listing of Javelin SEF interest rate swap products ("CME IRS Products") on Javelin SEF beginning October 17, 2013 (the "Submission").

The Submission contains the following:

1. A summary of the terms of the CME IRS Products specifications
2. An explanation and analysis of the CME IRS Products' compliance with the relevant Core Principles for Swap Execution Facilities ("SEF Core Principles") as set forth by section 5h of the Commodity Exchange Act;
3. A certification that, concurrent with the filing of the Submission, Javelin SEF posted on its website a notice of pending certification of the CME IRS Products with the Commission.

1. Summary of Terms of the CME IRS Products

Contract Overview An agreement to exchange one stream of cash flows for another where one stream is based on a floating rate, for a given notional amount over a specified term, and the other stream is based upon either another floating interest rate or a fixed interest rate for the same notional and a given term.

Currency Units US Dollar, British Pounds, Euros

Floating Rate Index USD LIBOR, Sterling LIBOR, EURIBOR

Contract Size Increments of 1 million currency units

Minimum Size 1 million currency units notional

Trading Buy = Pay Fixed, Receive Float -or- Pay Float +/- Spread, Receive Float

Conventions Sell = Receive Fixed, Pay Float -or- Receive Float +/- Spread, Pay Float

JAVELIN SEF, LLC

443 PARK AVENUE SOUTH, 10TH FLOOR • NEW YORK, NEW YORK • 10016

PHONE: (212) 779-2300 • FAX: 646-588-2039

| | |
|---|---|
| Swap Conventions | <p><i>Fixed Leg</i></p> <ul style="list-style-type: none"> • Payment Frequency: Monthly, Quarterly, Semi-Annual, Annual • Day Count Convention: 30/360, 30E/360, ACT/360, ACT/365, ACT/ACT • Holiday Calendars: London, New York, TARGET¹ • Business Day Conventions: Following, Modified Following with adjustment to period end dates & Unadjusted for period end dates <p><i>Floating Leg</i></p> <ul style="list-style-type: none"> • Payment/Resets : Monthly, Quarterly, Semi-Annual • Day Count Conventions: 30/360, 30E/360, ACT/360, ACT/365, ACT/ACT, • Holiday Calendars: London, New York, TARGET • Business Day Conventions: Following, Modified Following with adjustment to period end dates & Unadjusted for period end dates |
| Swap Tenor or Swap Term | The duration of time from the effective date to the maturity date. A contract can have a Swap Tenor from 1 day month to 51 31 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>Fixed Leg: The payment amount of the Fixed Leg is based on the following: Notional, Fixed Interest Rate, Payment Frequency, Number of days in the interest accrual period and Day Count Convention.</p> <p>Floating Leg: The payment amount of the Floating Leg is based on the following: Notional, Floating Interest Rate Index, Payment Frequency, Number of days in the interest accrual period and Day Count Convention.</p> <p>Payments are settled in accordance with the payment frequency of the swap.</p> |
| Floating Fixing Date | <ul style="list-style-type: none"> • USD: The LIBOR Fixing Date is 2 London business days prior to the floating effective date. • GBP: The LIBOR Fixing Date is the same day as 2 London business days prior to the floating effective date. • EUR: The EURIBOR Fixing Date is 2 TARGET London business days prior to the floating effective date. |

¹ TARGET shall mean any day on which TARGET (the Trans-European Automated Real-time Gross settlement Express Transfer system) is open.

| | |
|-----------------------------|---|
| Trade Start Types | <p><u>Same Day:</u></p> <ul style="list-style-type: none"> • <u>A new swap where the Effective Date is the same day as the trade date.</u> <p><u>Next Day:</u></p> <ul style="list-style-type: none"> • A new swap where the Effective Date is T+1 from the trade date. <p><u>Spot:</u></p> <ul style="list-style-type: none"> • A new swap where the Effective Date is T+2 from the trade date. <p><u>Forward:</u></p> <ul style="list-style-type: none"> • A new swap with an effective date on any day after the spot start date, before the maturity date, and no longer than 50 years and 11<u>13</u> months. |
| Trade Types | <ul style="list-style-type: none"> • “Rate Trades”; interest rate swaps • “Spreads”; combination of interest rate swaps and US Treasury Bond purchases or sales • IMM²; interest rate swaps where Effective Date, Accrual Dates and Maturity Date are IMM Dates. • “MAC” Swaps; Market Agreed Coupon • “Basis” Swaps; Exchange of two floating rate indices |
| Notional Types | <p>“Bullet”; Notional remains constant over term of swap.</p> <p>“Variable Notional Swaps”: Notional changes over term of swap.</p> |
| Settlement Procedure | As determined by the Clearing Venue |
| Trading Hours | Javelin SEF, LLC trading hours are Monday to Friday 7: 30 <u>15</u> am to 5:00 pm |
| Clearing Venue | CME |
| Block Trades | Block Trades may be submitted pursuant to Javelin SEF Rule 515 |
| Position Limits | As provided by Part 151 of the Commission’s Regulations. |
| Reporting Levels | As provided by Commission Regulation 15.03. |

2. Explanation and Analysis of CME IRS Products’ Compliance with SEF Core Principles

We have reviewed the SEF Core Principles and have identified that the listing of CME IRS Products may have bearing on SEF Core Principle 3: Swaps Not Readily Susceptible to Manipulation. For the reasons

2 IMM shall mean the four quarterly dates of each year which are the third Wednesday of March, June, September, and December in accordance with the International Monetary Market calendar a division of the CME Group.

stated below we believe that the listing of CME IRS Products complies with the Commodity Exchange Act and SEF Core Principle 3.

a. The Reference Price is not Readily Susceptible to Manipulation

The reference price for the floating leg of CME IRS Products is the London Interbank Offered Rate for USD LIBOR, Sterling LIBOR, and EURIBOR ("LIBOR"). LIBOR is the lowest perceived rate at which banks can borrow unsecured funds from other banks in the London interbank market for a specified time period in a particular currency. LIBOR is calculated each day by the BBA Libor Ltd. in conjunction with Thomson Reuters. Each day major banks submit their cost of borrowing unsecured funds for 15 periods of time in 10 currencies. Thomson Reuters audits the data submitted by panel banks and creates the rates using the definitions provided by BBA's FX & MM Committee, under the supervision of BBA. The LIBOR rate produced by Thomson Reuters is calculated by using a trimmed arithmetic mean. Once Thomson Reuters receives each bank's submissions Thomson Reuters ranks them in descending order and then drops the top and bottom quartiles – this is known as "trimming". The middle two quartiles, reflecting 50% of the quotes, are then averaged to create the LIBOR quote. The BBA drops the bottom and top quartiles in the calculation in order to increase the accuracy of the LIBOR quotes. Dropping the outliers is done because an outlier does not reflect the market rate and doing so limits the ability of any one bank to influence the calculation and affect the LIBOR quote. More information on the specifics on how LIBOR is calculated is available at www.bbalibor.com. Thomson Reuters and BBA Libor are regulated by the Financial Conduct Authority.

Because the reference rate is based on LIBOR, a rate that is derived from a third-party (not the Javelin SEF's Participants) and is subject to an auditable process by the BBA, the Contract is not readily subject to manipulation.

Recently, concerns have been raised regarding the reliability LIBOR as reference price. To address these concerns the British Government established an independent committee to recommend a new administrator for LIBOR known as the Hogg Tendering Advisory Committee for LIBOR ("Hogg Committee"). On July 9, 2013 the Hogg Committee announced that the British Bankers' Association accepted its recommendation that NYSE Euronext Rate Administration, Ltd become the new LIBOR administrator. It is anticipated that the transfer of the administration of LIBOR to that NYSE Euronext Rate Administration, Ltd will be completed in early 2014.

b. Conditions that Prevent CME IRS Products from Being Readily Susceptible to Manipulation

The terms of the IRS Product follow the current conventions of the over the counter market in interest rate swaps by providing both standard fixed terms and variable terms. (See description of product terms above). The interest rate swap market is the largest derivative asset class in the world, with an estimated \$441 trillion in notional principal outstanding in the OTC market as of December 2012 according to the Bank for International Settlements. See BIS Quarterly Review, September 2013 Page A10 Table 4 http://www.bis.org/publ/qtrpdf/r_q1309.pdf.

The profound depth to the interest rate swap market protects the CME IRS Products from manipulation. It is well established that deep liquid markets are very difficult to manipulate. All of the recent public scrutiny and changes to the administration of LIBOR, it make it difficult for an attempt by a single market participants or group or markets participants to manipulate the LIBOR reference price to go undetected.

Since all of the CME IRS Products are cash settled there is no deliverable supply that can be manipulated by market participants. Cash settlement is a further barrier that protects the CME IRS Products from market manipulation. In addition, should there be any attempt to manipulate the market Javelin SEF is confident its robust surveillance system will detect such improper trading activity.

c. Settlement Procedure

CME IRS Products that will be traded on the Javelin SEF are cash settled at the applicable Clearing House. Currently CME IRS Products will be cleared by the Chicago Mercantile Exchange "CME". The procedures used by the CME to settle CME IRS Products is stated in CME Rules (CME Rules are available at www.cmegroup.com). These rules set forth procedures that are transparent to the market and have been approved by the Commission.

3. Certification

Javelin SEF certifies that the CME IRS Products comply with the Commodity Exchange Act, 7 U.S.C. §1 *et seq.* and the regulations thereunder. Javelin SEF further certifies that this Submission has been concurrently posted on Javelin SEF's website at <http://www.theJavelin.com>.

In the event that you have questions, please contact me at (646) 307-5931 or suellen.galish@thejavelin.com.

Sincerely,

/s/Suellen M. Galish
General Counsel and Chief Compliance Officer

SUBMISSION COVER SHEET

Registered Entity Identifier Code (optional) 13-05R

Date: 10/29/2013

IMPORTANT: CHECK BOX IF CONFIDENTIAL TREATMENT IS REQUESTED. ☐

ORGANIZATION

Javelin 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

None applicable; terms and conditions of the Javelin SEF Interest Rate Products are in the attached revised submissions.

DESCRIPTION

In accordance with Commodity Futures Trading Commission ("CFTC") Regulation §40.2(a), this is a revised submission by Javelin SEF, LLC for CFTC review and approval of a product listing. We are submitting a revised clean copy and a red-lined copy of the submission.



October 15, 2013

VIA Electronic Submission

Office of the Secretariat
Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st Street, N.W.
Washington, DC 20581

Re: Javelin SEF, LLC Submission No. 13-05R

To Whom It May Concern,

Javelin SEF, LLC ("Javelin SEF") hereby notifies the Commodity Futures Trading Commission (the "Commission"), pursuant to Commission Regulation 40.2, of its revised product listing of Javelin SEF interest rate swap products ("LCH IRS Products") on Javelin SEF beginning October 17, 2013 (the "Submission").

The Submission contains the following:

1. A summary of the terms of the LCH IRS Products specifications
2. An explanation and analysis of the LCH IRS Products' compliance with the relevant Core Principles for Swap Execution Facilities ("SEF Core Principles") as set forth by section 5h of the Commodity Exchange Act;
3. A certification that, concurrent with the filing of the Submission, Javelin SEF posted on its website a notice of pending certification of the LCH IRS Products with the Commission.

1. Summary of Terms of the LCH IRS Products

Contract Overview An agreement to exchange one stream of cash flows for another where one stream is based on a floating rate, for a given notional amount over a specified term, and the other stream is based upon either another floating interest rate or a fixed interest rate for the same notional and a given term.

Currency Units US Dollar, British Pounds, Euros

Floating Rate Index USD LIBOR, Sterling LIBOR, EURIBOR

Contract Size Increments of 1 million currency units

Minimum Size 1 million currency units notional

Trading Conventions Buy = Pay Fixed, Receive Float -or- Pay Float +/- Spread, Receive Float
Sell = Receive Fixed, Pay Float -or- Receive Float +/- Spread, Pay Float

| | |
|---|--|
| Swap Conventions | <i>Fixed Leg</i> |
| | <ul style="list-style-type: none"> • Payment Frequency: Monthly, Quarterly, Semi-Annual, Annual • Day Count Convention: 30/360, 30E/360, ACT/360, ACT/365, ACT/ACT • Holiday Calendars: London, New York, TARGET¹ • Business Day Conventions: Following, Modified Following with adjustment to period end dates & Modified Following without adjustment for period end dates |
| | <i>Floating Leg</i> |
| | <ul style="list-style-type: none"> • Payment/Resets : Monthly, Quarterly, Semi-Annual, Annual • Day Count Conventions: ACT/360, ACT/365 • Holiday Calendars: London, New York, TARGET • Business Day Conventions: Following, Modified Following with adjustment to period end dates & Modified Following without adjustment to period end dates |
| Swap Tenor or Swap Term | The duration of time from the effective date to the maturity date. A contract can have a Swap Tenor from 1 day to 31 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>Fixed Leg: The payment amount of the Fixed Leg is based on the following: Notional, Fixed Interest Rate, Payment Frequency, Number of days in the interest accrual period, and Day Count Convention.</p> <p>Floating Leg: The payment amount of the Floating Leg is based on the following: Notional, Floating Interest Rate Index, Payment Frequency, Number of days in the interest accrual period, and Day Count Convention.</p> <p>Payments are settled in accordance with the payment frequency of the swap.</p> |
| Floating Fixing Date | <ul style="list-style-type: none"> • USD: The LIBOR Fixing Date is 2 London business days prior to the floating effective date. • GBP: The LIBOR Fixing Date is the same day as the floating effective date. • EUR: The EURIBOR Fixing Date is 2 TARGET London business days prior to the floating effective date. |

1 TARGET shall mean any day on which TARGET (the Trans-European Automated Real-time Gross settlement Express Transfer system) is open.

| | |
|-----------------------------|---|
| Trade Start Types | <p><i>Same Day:</i></p> <ul style="list-style-type: none"> • A new swap where the Effective Date is the same day as the trade date. <p><i>Next Day:</i></p> <ul style="list-style-type: none"> • A new swap where the Effective Date is T+1 from the trade date. <p><i>Spot:</i></p> <ul style="list-style-type: none"> • A new swap where the Effective Date is T+2 from the trade date. <p><i>Forward:</i></p> <ul style="list-style-type: none"> • A new swap with an effective date on any day after the spot start date, before the maturity date, and no longer than 13 months. |
| Trade Types | <ul style="list-style-type: none"> • “Rate Trades”; interest rate swaps • “Spreads”; interest rate swaps with US Treasury Bond • IMM²; interest rate swaps where Effective Date, Accrual Dates and Maturity Date are IMM Dates. • “MAC” Swaps; Market Agreed Coupon • “Basis” Swaps; Exchange of two floating rate indexes |
| Notional Types | “Bullet”; Notional remains constant over term of swap. |
| Settlement Procedure | As determined by the Clearing Venue |
| Trading Hours | Javelin SEF, LLC trading hours are Monday to Friday 7:30 am to 5:00 pm |
| Clearing Venue | LCH.Clearnet Limited LCH.Clearnet LLC |
| Block Trades | Block Trades may be submitted pursuant to Javelin SEF Rule 515 |
| Position Limits | As provided by Part 151 of the Commission’s Regulations. |
| Reporting Levels | As provided by Commission Regulation 15.03. |

2. Explanation and Analysis of LCH IRS Products’ Compliance with SEF Core Principles

We have reviewed the SEF Core Principles and have identified that the listing of LCH IRS Products may have bearing on SEF Core Principle 3: Swaps Not Readily Susceptible to Manipulation. For the reasons

2 IMM shall mean the four quarterly dates of each year which are the third Wednesday of March, June, September, and December in accordance with the International Monetary Market calendar a division of the CME Group.

stated below we believe that the listing of LCH IRS Products complies with the Commodity Exchange Act and SEF Core Principle 3.

a. The Reference Price is not Readily Susceptible to Manipulation

The reference price for the floating leg of LCH IRS Products is the London Interbank Offered Rate for USD LIBOR, Sterling LIBOR, and EURIBOR ("LIBOR"). LIBOR is the lowest perceived rate at which banks can borrow unsecured funds from other banks in the London interbank market for a specified time period in a particular currency. LIBOR is calculated each day by the BBA Libor Ltd. in conjunction with Thomson Reuters. Each day major banks submit their cost of borrowing unsecured funds for 15 periods of time in 10 currencies. Thomson Reuters audits the data submitted by panel banks and creates the rates using the definitions provided by BBA's FX & MM Committee, under the supervision of BBA. The LIBOR rate produced by Thomson Reuters is calculated by using a trimmed arithmetic mean. Once Thomson Reuters receives each bank's submissions Thomson Reuters ranks them in descending order and then drops the top and bottom quartiles – this is known as "trimming". The middle two quartiles, reflecting 50% of the quotes, are then averaged to create the LIBOR quote. The BBA drops the bottom and top quartiles in the calculation in order to increase the accuracy of the LIBOR quotes. Dropping the outliers is done because an outlier does not reflect the market rate and doing so limits the ability of any one bank to influence the calculation and affect the LIBOR quote. More information on the specifics on how LIBOR is calculated is available at www.bbalibor.com. Thomson Reuters and BBA Libor are regulated by the Financial Conduct Authority.

Because the reference rate is based on LIBOR, a rate that is derived from a third-party (not the Javelin SEF's Participants) and is subject to an auditable process by the BBA, the Contract is not readily subject to manipulation.

Recently, concerns have been raised regarding the reliability LIBOR as reference price. To address these concerns the British Government established an independent committee to recommend a new administrator for LIBOR known as the Hogg Tendering Advisory Committee for LIBOR ("Hogg Committee"). On July 9, 2013 the Hogg Committee announced that the British Bankers' Association accepted its recommendation that NYSE Euronext Rate Administration, Ltd become the new LIBOR administrator. It is anticipated that the transfer of the administration of LIBOR to that NYSE Euronext Rate Administration, Ltd will be completed in early 2014.

b. Conditions that Prevent LCH IRS Products from Being Readily Susceptible to Manipulation

The terms of the IRS Product follow the current conventions of the over the counter market in interest rate swaps by providing both standard fixed terms and variable terms. (See description of product terms above). The interest rate swap market is the largest derivative asset class in the world, with an estimated \$441 trillion in notional principal outstanding in the OTC market as of December 2012 according to the Bank for International Settlements. See BIS Quarterly Review, September 2013 Page A10 Table 4 http://www.bis.org/publ/qtrpdf/r_q1309.pdf.

The profound depth to the interest rate swap market protects the LCH IRS Products from manipulation. It is well established that deep liquid markets are very difficult to manipulate. All of the recent public scrutiny and changes to the administration of LIBOR, it make it difficult for an attempt by a single market

participants or group or markets participants to manipulate the LIBOR reference price to go undetected. Since all of the LCH IRS Products are cash settled there is no deliverable supply that can be manipulated by market participants. Cash settlement is a further barrier that protects the LCH IRS Products from market manipulation. In addition, should there be any attempt to manipulate the market Javelin SEF is confident its robust surveillance system will detect such improper trading activity.

c. Settlement Procedure

LCH IRS Products that will be traded on the Javelin SEF are cash settled at the applicable Clearing House. Currently LCH IRS Products will be cleared by the LCH.Clearnet Limited and/or LCH Clearnet LLC ("LCH"). The procedures used by the LCH to settle LCH IRS Products is stated in LCH Rules (LCH Rules are available at www.lch.com). These rules set forth procedures that are transparent to the market and have been approved by the Commission.

3. Certification

Javelin SEF certifies that the LCH IRS Products comply with the Commodity Exchange Act, 7 U.S.C. §1 *et seq.* and the regulations thereunder. Javelin SEF further certifies that this Submission has been concurrently posted on Javelin SEF's website at <http://www.theJavelin.com>.

In the event that you have questions, please contact me at (646) 307-5931 or suellen.galish@thejavelin.com.

Sincerely,

/s/Suellen M. Galish
General Counsel and Chief Compliance Officer



October 15, 2013

VIA Electronic Submission

Office of the Secretariat
Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st Street, N.W.
Washington, DC 20581

Re: Javelin SEF, LLC Submission No. 13-05R

To Whom It May Concern,

Javelin SEF, LLC ("Javelin SEF") hereby notifies the Commodity Futures Trading Commission (the "Commission"), pursuant to Commission Regulation 40.2, of its revised product listing of Javelin SEF interest rate swap products ("LCH IRS Products") on Javelin SEF beginning October 17, 2013 (the "Submission").

The Submission contains the following:

1. A summary of the terms of the LCH IRS Products specifications
2. An explanation and analysis of the LCH IRS Products' compliance with the relevant Core Principles for Swap Execution Facilities ("SEF Core Principles") as set forth by section 5h of the Commodity Exchange Act;
3. A certification that, concurrent with the filing of the Submission, Javelin SEF posted on its website a notice of pending certification of the LCH IRS Products with the Commission.

1. Summary of Terms of the LCH IRS Products

Contract Overview An agreement to exchange one stream of cash flows for another where one stream is based on a floating rate, for a given notional amount over a specified term, and the other stream is based upon either another floating interest rate or a fixed interest rate for the same notional and a given term.

Currency Units US Dollar, British Pounds, Euros

Floating Rate Index USD LIBOR, Sterling LIBOR, EURIBOR

Contract Size Increments of 1 million currency units

Minimum Size 1 million currency units notional

Trading Conventions Buy = Pay Fixed, Receive Float -or- Pay Float +/- Spread, Receive Float
Sell = Receive Fixed, Pay Float -or- Receive Float +/- Spread, Pay Float

| | |
|---|---|
| Swap Conventions | <p><i>Fixed Leg</i></p> <ul style="list-style-type: none"> • Payment Frequency: Monthly, Quarterly, Semi-Annual, Annual • Day Count Convention: 30/360, 30E/360, ACT/360, ACT/365, ACT/ACT • Holiday Calendars: London, New York, TARGET¹ • Business Day Conventions: Following, Modified Following with adjustment to period end dates & Modified Following without adjustment forte period end dates <p><i>Floating Leg</i></p> <ul style="list-style-type: none"> • Payment/Resets : Monthly, Quarterly, Semi-Annual, Annual • Day Count Conventions: 30/360, 30E/360, ACT/360, ACT/365, ACT/ACT, • Holiday Calendars: London, New York, TARGET • Business Day Conventions: Following, Modified Following with adjustment to period end dates & Modified Following without adjustment to period end dates |
| Swap Tenor or Swap Term | The duration of time from the effective date to the maturity date. A contract can have a Swap Tenor from 1 month-day to 31 50 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>Fixed Leg: The payment amount of the Fixed Leg is based on the following: Notional, Fixed Interest Rate, Payment Frequency, <u>Number of days in the interest accrual period</u>, and Day Count Convention.</p> <p>Floating Leg: The payment amount of the Floating Leg is based on the following: Notional, Floating Interest Rate Index, Payment Frequency, <u>Number of days in the interest accrual period, and</u> Day Count Convention, and Floating Reset Dates.</p> <p>Payments are settled in accordance with the payment frequency of the swap.</p> |
| Floating Fixing Date | <ul style="list-style-type: none"> • USD: The LIBOR Fixing Date is 2 London business days prior to the floating effective date. • GBP: The LIBOR Fixing Date is <u>the same day as 2 London business days prior</u> to the floating effective date. • EUR: The EURIBOR Fixing Date is 2 TARGET London business days prior to the floating effective date. |

1 TARGET shall mean any day on which TARGET (the Trans-European Automated Real-time Gross settlement Express Transfer system) is open.

| | |
|-----------------------------|--|
| Trade Start Types | <p><u>Same Day:</u></p> <ul style="list-style-type: none"> • <u>A new swap where the Effective Date is the same day as the trade date.</u> <p><i>Next Day:</i></p> <ul style="list-style-type: none"> • A new swap where the Effective Date is T+1 from the trade date. <p><i>Spot:</i></p> <ul style="list-style-type: none"> • A new swap where the Effective Date is T+2 from the trade date. <p><i>Forward:</i></p> <ul style="list-style-type: none"> • A new swap with an effective date on any day after the spot start date, before the maturity date, and no longer than 49 years and 11 <u>13</u> months. |
| Trade Types | <ul style="list-style-type: none"> • “Rate Trades”; interest rate swaps • “Spreads”; interest rate swaps with US Treasury Bond • IMM²; interest rate swaps where Effective Date, Accrual Dates and Maturity Date are IMM Dates. • “MAC” Swaps; Market Agreed Coupon • “Basis” Swaps; Exchange of two floating rate indexes |
| Notional Types | <p>“Bullet”; Notional remains constant over term of swap.</p> <p>“Variable Notional Swaps”; Notional changes over term of swap.</p> |
| Settlement Procedure | As determined by the Clearing Venue |
| Trading Hours | Javelin SEF, LLC trading hours are Monday to Friday 7: 30 <u>15</u> am to 5:00 pm |
| Clearing Venue | LCH.Clearnet Limited LCH.Clearnet LLC |
| Block Trades | Block Trades may be submitted pursuant to Javelin SEF Rule 515 |
| Position Limits | As provided by Part 151 of the Commission’s Regulations. |
| Reporting Levels | As provided by Commission Regulation 15.03. |

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In the event that you have questions, please contact me at (646) 307-5931 or suellen.galish@thejavelin.com.

Sincerely,

/s/Suellen M. Galish
General Counsel and Chief Compliance Officer