



Lynn Martin
CEO/COO
NYSE Liffe US
20 Broad Street 10th Floor
New York, NY 10005
T +1 212 656 4307

By Electronic Mail
September 6, 2013

Ms. Melissa Jurgens
Office of the Secretariat
Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st Street, N.W.
Washington, D.C. 20581

**Re: NYSE Liffe US Submission 2013-118 – Notice Announcing the
Modification of the Block Trade Thresholds for Two-Year U.S. Treasury,
Five-Year U.S. Treasury, Ten-Year U.S. Treasury, U.S. Bond, and Ultra
Long U.S. Treasury Bond Futures**

Dear Ms. Jurgens:

I am the Chief Executive Officer and Chief Operating Officer of NYSE Liffe US LLC (“NYSE Liffe US” or the “Exchange”). Pursuant to Section 5c(c) of the Commodity Exchange Act, as amended (the “Act”), and U.S. Commodity Futures Trading Commission (the “Commission”) Regulations (the “Regulations”) Section 40.6(a), I enclose a Cover Sheet for NYSE Liffe US Submission 2013-118 and NYSE Liffe US Notice 22/2013 which announces that the Exchange is modifying the minimum size for block trades in its Two-Year U.S. Treasury, Five-Year U.S. Treasury, Ten-Year U.S. Treasury, U.S. Bond, and Ultra Long U.S. Treasury Bond Futures contracts (collectively, “Treasury Futures”) effective with the September 23, 2013 trading session.

NYSE Liffe US hereby certifies that: (i) Notice 22/2013 and the modification described therein comply with the Act and the Regulations and (ii) a notice and copy of this submission is being concurrently posted on the Exchange’s web site. Additionally, a concise explanation and analysis of Notice 22/2013 and its compliance with applicable provisions of the Act, including Core Principles and the Regulations, is attached. No substantive opposing views were expressed by members or others with respect to the modification of the minimum size for block trades in Treasury Futures.

If you have any questions, please call me at (212) 656-4307.

Yours Truly,

Lynn Martin
Enclosures

**Designated Contract Market Core Principles Implicated by
NYSE Liffe US Submission 2013-118**

CORE PRINCIPLE	ANALYSIS
<i>Core Principle 2: Compliance with Rules</i>	Block trades may be executed on the Exchange only in compliance with Exchange Rule 423, which prescribes, among other things, those parties that are eligible to enter into block trades, the pricing for such trades and the reporting of block trades to the Exchange. The Exchange will review block trade reports submitted by Members in Interest Rate Futures, as it does all block trade reports, and only post the trade to the Trading Platform if the details appear to comply with the requirements of Rule 423. Additionally, pursuant to Chapter 7 of the Exchange's rulebook, the Exchange shall investigate any possible rule violations and where appropriate bring disciplinary actions and impose sanctions for any violations.
<i>Core Principle 7: Availability of General Information</i>	The Exchange will publish on its web site the relevant terms and conditions for executing block trades including the relevant forms.
<i>Core Principle 8: Daily Publication of Trading Information</i>	The Exchange will publish on its web site information regarding block trades including the relevant contract, quantity, price and time of the block trade.
<i>Core Principle 9: Execution of Transactions</i>	The Exchange currently sets the block trade threshold at 3,000 for its Two-Year and Five-Year U.S. Treasury Futures; 1,500 for its Ten-Year Treasury Futures; 1,500 for its U.S. Bond Futures; and 1,000 for its Ultra-Long U.S. Treasury Bond Futures. These thresholds are similar to those in place for the Chicago Board of Trade ("CBOT") futures on U.S. Treasuries and were set (with the exception of the Ten Year and Ultra Bond thresholds, which were initially set at launch as 2,500 and 1,500 respectively) when the Exchange launched these products in March 2011 with the hope of establishing markets for Treasury Futures with a depth and liquidity similar to those at the CBOT. In addition to the fact that that goal was not achieved, the depth and liquidity of the Exchange's markets in Treasury Futures has further declined over the past several months. Since May 1, 2013, the average daily volume, through September 4, 2013, is 714 for Two-Year Treasuries, 491 for Five-Year Treasuries, 866 for Ten-Year Treasuries, 206 for U.S. Bonds and 2 for Ultra-Long U.S. Bonds. During the period from May 1, 2013 through August 27, 2013, the average order size has been 14 contracts for Two-Year Treasuries, 3 contracts for both Five-Year and Ten-Year Treasuries, and 0 contracts for Ultra-Long U.S. Bonds. As of August 27, 2013 total open interest stood at 6,878 lots for Two-Year Treasury Futures, 158 for Five-Year Treasury Futures, 1,875 for Ten-Year Treasury Futures, 167 for Treasury Bond Futures and 1 for Ultra Long Bond Futures. Further, a recent review of the

CORE PRINCIPLE	ANALYSIS
	<p>quantity available on the Trading Platform at a single price measured at shortly before and after key economic data was released, a time when trading activity would tend to be most active, revealed that there were no bids and offers in the Exchange's markets in Treasury Futures. In light of these current market conditions, the Exchange believes that the new, lower block thresholds of 250 lots announced in Notice 22/2013 are consistent with CFTC proposed guidance. In setting minimum block trade sizes for futures, the CFTC has proposed that designated contract markets need to consider the size of an order that is unlikely to ever be filled in its entirety without a substantial price concession. The DCM "should consider . . . data related to factors including: trading volume, open interest, liquidity and depth of the order book, typical trade and order sizes in the market, any input the [DCM] receives from brokers, floor trader and/or market users related to these factors, and the block sizes on comparable swap products."¹ In light of the market data set forth above relating to average daily volume, open interest, average trade size, and average order size for each of the Treasury Futures, it is clear that an order as large as 250 lots in any of the Treasury Futures placed in the centralized market cannot be filled in its entirety without a substantial price concession. Accordingly, setting a minimum block trade threshold for all Treasury Futures at 250 is consistent with the Act, specifically Core Principle 9, the Regulations and the Commission's most recent proposed guidance. As always, the Exchange will monitor these thresholds' effect on the centralized market and take appropriate action to protect the centralized market's price discovery process.</p>
<p><i>Core Principle 10: Trade Information</i></p>	<p>The Exchange records and maintains an audit trail with all trade information regarding trading by all market participants, necessary to monitor for customer and market abuse, including any abuses involving block trades.</p>
<p><i>Core Principle 12: Protection of Markets and Market Participants</i></p>	<p>Chapter 6 of the Exchange's rulebook governs the business conduct of Exchange members and prohibits, among other things, fraudulent acts and fictitious trades and other activities that could disadvantage their customers, as well as acts detrimental to the Exchange and inconsistent with just and equitable principles of trade. The Exchange shall monitor for and investigate any possible rule violations and where appropriate bring disciplinary actions and impose sanctions for any violations in respect to block trades.</p>

¹ *Core Principles and Other Requirements for Designated Contract Markets*, 75 Fed. Reg. 80572, 80630 (CFTC Dec. 22, 2010).

CORE PRINCIPLE	ANALYSIS
<i>Core Principle 13: Disciplinary Procedures</i>	Chapter 7 of the Exchange's rulebook provides for disciplinary procedures by which the Exchange may impose sanctions for any violations of the Exchange's rules, including any violations related to block trades.
<i>Core Principle 18: Recordkeeping</i>	Data with regard to block trades shall be retained by the Exchange in secured storage for a period of at least five years and be readily accessible and open to review by the CFTC. Additionally, the Exchange has in place business continuity and disaster recovery policies and procedures that provide for back-up and off-site storage of Exchange records.



NYSE LIFFE US NOTICE No. 22/2013

ISSUE DATE: September 6, 2013
EFFECTIVE DATE: September 23, 2013

Modification of the Block Trade Threshold for Treasury Futures.

Summary

This Notice informs Members and market participants that NYSE Life US is modifying the minimum block trade threshold in its Two-Year U.S. Treasury, Five-Year U.S. Treasury, Ten-Year U.S. Treasury, U.S. Bond, and Ultra Long U.S. Treasury Bond Futures (collectively, "Treasury Futures"), effective with the September 23, 2013, trading session.

1. Introduction and Background

- 1.1 NYSE Liffe US Rule 423 permits Block Trades to be transacted for at least such minimum number of Contracts as will from time to time be specified by the Exchange.
- 1.2 NYSE Liffe US [Notice 05/2011](#), in connection with announcing the listing of the Interest Rate Futures, among other things, set forth the minimum block trade size for Treasury Futures as follows:

Contract	Minimum Number of Contracts
Two-Year U.S. Treasury Futures	3,000
Five-Year U.S. Treasury Futures	3,000
Ten-Year U.S. Treasury Futures	2,500
U.S. Bond Futures	1,500
Ultra Long U.S. Treasury Bond Futures	1,500

- 1.3 NYSE Liffe US [Notice 21/2011](#) reduced the minimum block trade size for Ten-Year U.S. Treasury Futures to 1,500 contracts.
- 1.4 NYSE Liffe US [Notice 33/2012](#) reduced the minimum block trade size for Ultra Long U.S. Treasury Bond Futures to 1,000 contracts.

2. Change to minimum block trade threshold in Treasury Futures

- 2.1 After the benefit of over two years of actual trading in Treasury Futures, and in light of current trading activity, the Exchange has determined to lower the minimum block trade thresholds, effective with the September 23, 2013 trading session as follows:

Contract	Minimum Number of Contracts
Two-Year U.S. Treasury Futures	250
Five-Year U.S. Treasury Futures	250
Ten-Year U.S. Treasury Futures	250
U.S. Bond Futures	250
Ultra Long U.S. Treasury Bond Futures	250

- 2.2 All other requirements as to block trades in Interest Rate Futures remain unchanged.
- 2.3 Members and market participants are encouraged to review the relevant Exchange procedures and guidance regarding block trades. An overview of Block Trading execution procedures can be found at: <http://www.nyseliffeus.com/block-trading-execution>. The Exchange has also issued notices pertaining to block trades. [NYSE Liffe US Notice 6/2009](#) implemented the Exchange's Block Trading Facility and required the entry of block trades into the Exchange's Block Trading function on the NYSE Liffe U.S. Trading Platform. [NYSE Liffe US Notice 15/2010](#) announced the availability of an alternative method of reporting block trades that involved the completion and emailing of a Block Trade report form. [NYSE Liffe US Notice 28/2011](#) provides additional guidance on the pricing and reporting of block trades.

Members who have questions or seek additional information in respect of this Notice should contact:

New York Office
Chicago Office

+1 212 656 4300
+1 312 442 7730

nyseliffeus@nyx.com