

**SUBMISSION COVER SHEET**

**IMPORTANT:** Check box if Confidential Treatment is requested

Registered Entity Identifier Code (optional): 21-079

Organization: NEX SEF Limited ("NEXSEF")

Filing as a:  DCM  SEF  DCO  SDR

Please note - only ONE choice allowed.

Filing Date (mm/dd/yy): 02/09/21 Filing Description: AMENDMENT TO NEX SEF LIMITED RULEBOOK RELATING TO SUMMARY FINES, AUDIT TRAIL REQUIREMENTS AND ERROR CORRECTION PROCESSES; ISSUANCE OF NEX SEF LIMITED MARKET REGULATION ADVISORY NOTICES MRAN 2021-01 AND 2021-02

**SPECIFY FILING TYPE**

Please note only ONE choice allowed per Submission.

**Organization Rules and Rule Amendments**

- Certification § 40.6(a)
- Approval § 40.5(a)
- Notification § 40.6(d)
- Advance Notice of SIDCO Rule Change § 40.10(a)
- SIDCO Emergency Rule Change § 40.10(h)

Rule Numbers: See filing.

**New Product**

Please note only ONE product per Submission.

- Certification § 40.2(a)
- Certification Security Futures § 41.23(a)
- Certification Swap Class § 40.2(d)
- Approval § 40.3(a)
- Approval Security Futures § 41.23(b)
- Novel Derivative Product Notification § 40.12(a)
- Swap Submission § 39.5

**Product Terms and Conditions (product related Rules and Rule Amendments)**

- Certification § 40.6(a)
- Certification Made Available to Trade Determination § 40.6(a)
- Certification Security Futures § 41.24(a)
- Delisting (No Open Interest) § 40.6(a)
- Approval § 40.5(a)
- Approval Made Available to Trade Determination § 40.5(a)
- Approval Security Futures § 41.24(c)
- Approval Amendments to enumerated agricultural products § 40.4(a), § 40.5(a)
- "Non-Material Agricultural Rule Change" § 40.4(b)(5)
- Notification § 40.6(d)

Official Name(s) of Product(s) Affected: Rule Numbers:

February 9, 2021

**VIA ELECTRONIC PORTAL**

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

**RE: AMENDMENTS TO NEX SEF LIMITED RULEBOOK RELATING TO SUMMARY FINES, AUDIT TRAIL REQUIREMENTS AND ERROR CORRECTION PROCESSES; ISSUANCE OF NEX SEF LIMITED MARKET REGULATION ADVISORY NOTICES MRAN 2021-01 AND MRAN 2021-02 PURSUANT TO CFTC REGULATION 40.6  
NEX SEF Submission No. 21-079**

Dear Mr. Kirkpatrick:

NEX SEF Limited (“NEX SEF”) is notifying the Commodity Futures Trading Commission (“CFTC” or “Commission”) that it is self-certifying amendments to its Rulebook (the “Rulebook Amendments”) to: (1) include additional violations of NEX SEF rules that will be subject to the summary fine process under NEX SEF Rule 516 and revise the appeal procedure that applies to this process; (2) update certain NEX SEF rules relating to audit trail requirements and error correction process; and (3) change certain references in the NEX SEF Rulebook to reflect the withdrawal of the United Kingdom from the European Union. In addition, NEX SEF is self-certifying the issuance of NEX SEF Market Regulation Advisory Notice 2021-01 (“MRAN 2021-01”) to provide market participants with clarity on NEX SEF’s error trade review process and a related form of trade review request (the “Trade Review Request Form”). Further, NEX SEF is self-certifying the issuance of NEX SEF Market Regulation Advisory Notice 2021-02 (“MRAN 2021-02”) to provide market participants with guidance on NEX SEF’s audit trail review process and the potential consequences of non-compliance with these requirements. All of the foregoing are being self-certified effective Wednesday, February 24, 2021 for trade date Thursday, February 25, 2021.

NEX SEF has reviewed the Swap Execution Facility core principles (“Core Principles”) as set forth in the Commodity Exchange Act (“CEA” or “Act”) and identified that the Rulebook Amendments, MRAN 2021-01 and MRAN 2021-02 may have some bearing on the following Core Principles:

**Compliance with Rules:** CEA Section 5h(f)(2)(A) requires a swap execution facility to establish and enforce compliance with its rules. The CFTC has implemented this statutory requirement by adopting: (1) CFTC Regulation 37.203(e), which requires a swap execution facility to have the authority to adjust trade prices or cancel trades when necessary to mitigate errors in orders submitted by members and market participants, and to make any related trade price adjustments or trade cancellations transparent to the market; (2) CFTC Regulation 37.206, which generally requires a swap execution facility to take effective disciplinary action against Participants that violate its rules. The Rulebook Amendments are intended to enhance NEX SEF’s compliance with these rules, and the issuance of the MRANs are intended to assist market participants in remaining in compliance with these rules. Accordingly, the foregoing items are in compliance with this Core Principle.

**Availability of General Information:** CEA Section 5h(f)(5) requires a swap execution facility to enforce rules that will allow the it to obtain any necessary information to perform any of the functions described in Section 5h of the Act. As required by this Core Principle, NEX SEF is publicly issuing MRAN 2021-01 and MRAN 2021-02 to ensure that market participants have updated guidance and

information attendant to the Rulebook Amendments. These MRANs will also be available on the NEX SEF website.

Pursuant to Section 5c(c) of the Act and CFTC Regulations 40.6, NEX SEF hereby certifies that the Rulebook Amendments and the MRANs discussed above comply with the Act, including the regulations under the Act. There were no substantive opposing views to the proposal.

NEX SEF certifies that this submission has been concurrently posted on its websites at <http://www.cmegroup.com/market-regulation/rule-filings.html> and [nexsef.com](http://nexsef.com). If you require any additional information regarding this submission, please contact the undersigned at 212-299-2000 or via email at [CMEGSubmissionInquiry@cmegroup.com](mailto:CMEGSubmissionInquiry@cmegroup.com).

Sincerely,

Christopher Bowen  
Managing Director and Chief Regulatory Counsel

Attachments: Appendix A: NEX SEF Rulebook (attached under separate cover) (blackline format)  
Appendix B: NEX SEF MRAN 2021-01  
Appendix C: NEX SEF Trade Review Request Form  
Appendix D: NEX SEF MRAN 2021-02

**Appendix A**

**NEX SEF Rulebook**

(attached under separate cover) (blackline format)

## Appendix B

# MARKET REGULATION ADVISORY NOTICE

<b>From</b>	<i>NEX SEF Limited (“NEX SEF”)</i>
<b>To</b>	<i>All EBS NDF Platform Participants</i>
<b>Subject</b>	<i>Error Trade Review Request Process</i>
<b>Rule References</b>	315(b), 315(c), 315(d), 318
<b>Effective Date</b>	<i>[January 13, 2021]</i>
<b>Notice Date</b>	<i>[January 29, 2021]</i>
<b>Notice Number</b>	2020-01

## **NEX SEF | Error Trade Review Request Process**

### Overview

It is important to NEX SEF that all Participants have a rewarding experience on the NEX SEF Platform. It benefits the market participants to better understand the rules set out in NEX SEF Rulebook as well as NEX SEF processes. In order to continue to maintain an orderly and transparent market, NEX SEF is outlining its Error Trade Review Request process, pursuant to NEX SEF Rule 315(b).

### Error Trade Review Process

#### *NEX SEF REVIEW REQUEST*

Participants who wish to dispute a price to a trade executed on NEX SEF and would like NEX SEF to review the transaction’s price under Rule 315(b) must contact EBS Customer Support (see Exhibit A for contact information) within 8 minutes of the trade execution. To be eligible for NEX SEF Review, the trade must be in a product listed in Exhibit A.

If NEX SEF determines to review the trade price, NEX SEF will notify all Participants that the trade is under review.

#### *FAIR VALUE PRICE CALCULATION*

In reviewing the trade price, pursuant to Rule 315(c), NEX SEF will assess the fair value price at the time of the transaction under review. Please see Exhibit A for an example of how the fair value price is calculated. EBS Customer Support will ultimately notify all Participants whether the trade will stand, be adjusted, or cancelled.

#### *BILATERAL ERROR TRADE RESOLUTION*

Alternatively, Participants may settle the price dispute bilaterally pursuant to Rule 315(d), provided the Participants follow the relevant procedures outlined in Exhibit A.

### Counterparty Information

Upon request, and subject to NEX SEF Rule 318, EBS Customer will provide counterparty details.

**EXHIBIT A**  
NEX SEF TRADE REVIEW REQUEST PROCEDURES

## Appendix C



# NEX SEF TRADE REVIEW REQUEST - NDF

To comply with CFTC and MiFID II rules, the SEF NDF trading offered by NEX SEF Limited through the EBS Market platform is required to have a trade review procedure to address potential erroneous trades.

Customers are required to contact EBS Customer Support within 8 minutes of the disputed trade if they wish for Rule 315(b) (Determination to Review a Transaction's Price) of the NEX SEF Limited Facility Rulebook ("Rulebook") to be invoked. Under Rule 315(c), NEX SEF will assess the fair value price at the time of the transaction under review. Please see below for an example of how the fair value price is calculated.

Subject to NEX SEF Rule 318, EBS Customer Support can provide counterparty contact details on request.

### **EBS Customer Support Contact Information:**

Email: [customersupport@ebs.com](mailto:customersupport@ebs.com)

T UK 0800 012 8011 | US 8772780643 | Japan 00531 122527

[Click here for international numbers](#)

### **Fair Value Range**

Tier 1	Liquid pairs or hours	0.5% from market reference price
Tier 2	Illiquid pairs or hours	1.0% from market reference price

### **Products**

ON SEF NDF	00:00 GMT to 10:59 GMT	11:00 GMT to 23:59 GMT
ARS 1MS	Tier 2	Tier 2
BRL EOMS	Tier 2	Tier 2
CLP 1MS	Tier 2	Tier 2
CNY 1MS	Tier 2	Tier 2
CNY 1YS	Tier 2	Tier 2
CNY 3MS	Tier 2	Tier 2
CNY 6MS	Tier 2	Tier 2
COP 1MS	Tier 2	Tier 2
EGP 1MS	Tier 2	Tier 2
EGP 2MS	Tier 2	Tier 2
EGP 3MS	Tier 2	Tier 2
GHS 1MS	Tier 2	Tier 2

IDR 1MS	Tier 2	Tier 1
INR 1MS	Tier 2	Tier 1
INR EOMS	Tier 2	Tier 2
KES 1MS	Tier 2	Tier 2
KRW 1MS	Tier 2	Tier 1
MYR 1MS	Tier 2	Tier 1
NGN 1MS	Tier 2	Tier 2
PEN 1MS	Tier 2	Tier 2
PEN 61DS	Tier 2	Tier 2
PHP 1MS	Tier 2	Tier 1
RUB 1MS	Tier 2	Tier 2
TRY 1MS	Tier 2	Tier 2
TWD 1MS	Tier 2	Tier 1
VND 1MS	Tier 2	Tier 2
ZMW 1MS	Tier 2	Tier 2



**Calculation Example:**

a. Disputed trade: USDKRW executed at 1099.00 at 12:00 GMT

b. EBS Market Trade prior to Error Trade that;

- Was completed within the preceding 5 minutes
- Was not part of the same sweep/Error Trade event
- Is not also under an Error Trade Process review
- Is eligible for Market Data publication (i.e. not Intra Floor, not mid-PD etc.)

*If b) is unavailable;*

1) EBS Market Mid immediately prior to Error Trade assuming;

- Two-way price is available

c. Relevant Tier to apply: Tier 1. 0.5% from reference rate.

d. Calculation from the 1095.00 reference:



0.5% above reference rate:  $1095 \times 1.005 = 1100.475$

0.5% below reference rate:  $1095 \times 0.995 = 1089.525$

As the executed rate of 1099.00 is within 0.5% from the reference rate this trade would not be escalated to NEX SEF Compliance function for review.

**Alternative Resolution to Price Discrepancy**

Rule 315(d)(1) permits Counterparties to mutually decide to amend or cancel a trade. Counterparties doing so must: (i) report such action to the same SDR to which NEX SEF reported the original transaction, in accordance with Part 45 of the CFTC's Regulations and Rule 316; and (ii) inform EBS Customer Support in writing as soon as possible and no later than within one (1) Business Day (and maintain a record of such adjustment) as per Rule 315(d)(4) of the Rulebook.

## Appendix D

# MARKET REGULATION ADVISORY NOTICE

<b>From</b>	<i>NEX SEF Limited (“NEX SEF”)</i>
<b>To</b>	<i>All EBS NDF Platform Participants</i>
<b>Subject</b>	<i>Audit Trail Review Process and Violations</i>
<b>Rule References</b>	201(b)(3), 203(a), 208, 210(f)(1) and 302, 309(d), 516
<b>Effective Date</b>	<i>[January 21, 2021]</i>
<b>Notice Date</b>	<i>[February 5, 2021]</i>
<b>Notice Number</b>	2020-02

## **NEX SEF | Audit Trail Review Process and Violations**

### Overview

It is important to NEX SEF that all Participants have a rewarding experience on the NEX SEF Platform. It benefits market participants to better understand the rules set out in the NEX SEF Rulebook as well as NEX SEF processes. In order to continue to maintain an orderly and transparent market, NEX SEF is outlining its Audit Trail Review process, pursuant to NEX SEF Rule 309(d) as well as its approach to handling audit trail violations, pursuant to NEX SEF Rule 516.

### Audit Trail Review Process:

Consistent with NEX SEF Rule 309(d), NEX SEF conducts Audit Trail reviews to ensure compliance with Rules 201(b)(3), 203(a), 208, 210(f)(1) and 302. The reviews are being conducted by the Market Regulation Department of CME Group (“Market Regulation”), as NEX SEF’s Regulatory Service Provider. As part of the review process, NEX SEF requests its participants to:

1. provide specified data and all relevant data elements;
2. attest to complying with the recordkeeping requirements outlined in NEX SEF Rule 208(c); and
3. attest to its current Eligible Contract Participant status in compliance with NEX SEF Rules 203(a) and 210(f)(1), as well as provide its annual financial statements to validate this status pursuant to NEX SEF Rule 201(b)(3).

### Approach to Violations of Audit Trail Requirements:

In the event audit trail recordkeeping violations are identified, NEX SEF expects Participants to take immediate corrective action to comply with NEX SEF recordkeeping rules. Depending on the gravity of the violation and the Participant’s disciplinary history, NEX SEF Compliance may also pursue action against the Participant, including issuing a Warning Letter, assessing a Summary Fine pursuant to Rule 516, or requesting the issuance of charges pursuant to Rule 502 and 503.