Tradition SEF, Inc.

Participant Notice 145-2618 – Introduction Amendment of USD CME/LCH CCP Auctions Announcement Timing on Trad-X Interest Rate Swap Platform

December 15June 9, 20145

To : Tradition SEF Authorized Representatives **From** : Tradition SEF Operations and Compliance

Authorized Representatives,

Tradition SEF will be introducing has amended the timing of the communication of the price of the auction for its Central Counterparty (CCP) auctions on Wednesday, December 17, 2014, that CCP Auctions allow Participants and Customers to enter block size orders to negotiate "switch" (or "spread") trades in interest rate swaps (IRS) between LCH Clearnet (LCH) and CME Clearing (CME) CCPs. The auction prices will be quoted on the basis between the fixed rate of the LCH cleared swap and the fixed rate of the CME cleared swap.

The CCP auctions will be conducted in-accordance with the following protocolsmanner and in conjunction with the Tradition SEF Rulebook and Trad-X ProductPlatform Supplement-(Note: Other than the timing of the auction price announcement, the process is unchanged):

REMINDER: USD CME/LCH CCP Auctions on Trad-X – protocols:

- USD CME/LCH CCP Auctions start every Wednesday atday @ 10:30AM NYC time.
- The first session runs for 5 minutes followed by a 5 minutes break. The second session runs for 5 minutes. Third session under same timing.
- The auction will use IMM swap structure to facilitate compression at CCP level.
- IMM swap: Start date on the first future contract date, IMM rolls and IMM end date.
- The "execution price" of the auction is the basis in between the fixed rate (Actual 360) of the LCH cleared IMM swap and the fixed rate (Actual 360) of the CME cleared swap. IMM swap.

 Price of the first session will be communicated to participants by email before the auction process commences.
- Price of the first session will be communicated to participants by email the previous day.

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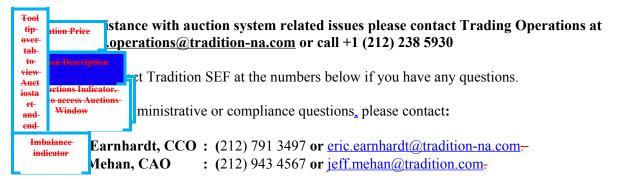
- If at the end of this session on any maturity there is more than 5 times the minimumexecution size left on a side, then execution price will be moved 1/20th of a basis pointup/down accordingly for the second session. The auction prices will be generated from TIRS (Tradition's Bloomberg run reference page for this product) indicative mid markets just before the auction's start.
- Orders may be amended or cancelled during the auction sessions.
- Multiple buy and seller orders for the same auction are permitted.
- Minimum execution sizes are the following:

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    ○ 2 IMM(CME) v 2 IMM(LCH) - 5100MM
    ○ 3 IMM(CME) v 3 IMM(LCH) - 25100MM
    ○ 5 IMM(CME) v 5 IMM(LCH) - 25 - 100MM
    ○ 7 IMM(CME) v 7 IMM(LCH) - 2 - 100MM
    ○ 10 IMM(CME) v 10 IMM(LCH) - 2 - 100MM
    ○ 12 IMM(CME) v 12 IMM(LCH) - 1500MM
    ○ 15 IMM(CME) v 15 IMM(LCH) - 1500MM
    ○ 20 IMM(CME) v 20 IMM(LCH) - 1500MM
    ○ 30 IMM(CME) v 30 IMM(LCH) - 1500MM
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- Trade unit tick sizes is are in the increments of the above minimum execution sizes.
- Orders will be instantly matched on a first come, first served basis <u>(Standard "Order Book"</u> protocol).
- The LCH cleared <u>IMM</u> swap will be executed at the Mid Market rate displayed in the CLOB from mid-market directly calculated from the Trad-X CLOB at the time of the execution.
- Orders will be matched either partially (in minimum size) or fully and will remain in the Order Book awaiting the match until they are cancelled by the user or cancelled automatically at the end of the auction session.
- Trades will be reported immediately into the Trad-X public Trad-X blotter.
- SEF **c**Confirmations will be sent to trading counterparties via Markitwire_
- The auction service is fully integrated with the Trad-X Credit Matrix—for pre-trade credit checking.

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- Access will be is provided to all Trad X participants if/SEF Participants authorized to trade this product if or when requested.
- Orders can be submitted directly or via SEF Execution Specialist.
- Auction Execution Fee: 0.02bp NPV on one leg. execution fee is set forth in the current Tradition SEF Fee Schedule.



For <u>Tradition</u> SEF legal questions matters, please contact:

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