

**SUBMISSION COVER SHEET**

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

Registered Entity Identifier Code (optional): 21-426

Organization: NEX SEF Limited ("NEXSEF")

Filing as a:  DCM  SEF  DCO  SDR

Please note - only ONE choice allowed.

Filing Date (mm/dd/yy): 09/17/21 Filing Description: Amendments to Rules 802(1) ("Fixed for Floating IRS") and 802(4) ("Non Deliverable Swaps") in Connection with the Implementation of the 2021 IDSA Interest Rate Derivatives Definitions.

**SPECIFY FILING TYPE**

Please note only ONE choice allowed per Submission.

**Organization Rules and Rule Amendments**

- |                                     |                                     |            |
|-------------------------------------|-------------------------------------|------------|
| <input checked="" type="checkbox"/> | Certification                       | § 40.6(a)  |
| <input type="checkbox"/>            | Approval                            | § 40.5(a)  |
| <input type="checkbox"/>            | Notification                        | § 40.6(d)  |
| <input type="checkbox"/>            | Advance Notice of SIDCO Rule Change | § 40.10(a) |
| <input type="checkbox"/>            | SIDCO Emergency Rule Change         | § 40.10(h) |

Rule Numbers: See filing.

**New Product**

**Please note only ONE product per Submission.**

- |                          |                                       |            |
|--------------------------|---------------------------------------|------------|
| <input type="checkbox"/> | Certification                         | § 40.2(a)  |
| <input type="checkbox"/> | Certification Security Futures        | § 41.23(a) |
| <input type="checkbox"/> | Certification Swap Class              | § 40.2(d)  |
| <input type="checkbox"/> | Approval                              | § 40.3(a)  |
| <input type="checkbox"/> | Approval Security Futures             | § 41.23(b) |
| <input type="checkbox"/> | Novel Derivative Product Notification | § 40.12(a) |
| <input type="checkbox"/> | Swap Submission                       | § 39.5     |

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

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

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

September 17, 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: CFTC Regulation 40.6(a) Certification. Amendments to Rules 802(1) (“Fixed for Floating IRS”) and 802(4) (“Non Deliverable Swaps”) in Connection with the Implementation of the 2021 ISDA Interest Rate Derivatives Definitions. NEX SEF Submission No. 21-426**

Dear Mr. Kirkpatrick:

NEX SEF Limited (“NEX SEF”) is certifying to the Commodity Futures Trading Commission (“CFTC” or “Commission”) amendments to NEX SEF Rules 802(1) (“Fixed for Floating IRS”) and 802(4) (“Non Deliverable Swaps”) (collectively, the “Rule Amendments”) as a result of ISDA’s recently published 2021 Interest Rate Derivatives Definitions (the “2021 Definitions”) which update and replace the 2006 ISDA Definitions (the “2006 Definitions”), and contain standardized terms for the documentation of privately negotiated interest rate swap transactions, effective concurrently with the 2021 Definitions on trade date Monday, October 4, 2021.

ISDA has informed market participants that the Floating Rate Options (“FROs”) that set out the interest rate benchmarks used to determine floating amounts have been reformatted under the 2021 Definitions.<sup>1</sup>

The 2021 Definitions will change the naming convention for certain of the FROs which market participants currently utilize to effect transactions in certain interest rate swaps on NEX SEF. Therefore, NEX SEF is implementing the Rule Amendments to enable market participants to effect transactions in interest rate swaps using the FRO naming conventions that are available under either the 2006 Definitions or the 2021 Definitions.

Appendix A below provides the Rule Amendments with additions underscored and deletions ~~struck through~~.

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

**SEF Core Principle 2 - Compliance with Rules:** CEA Section 5h(f)(7) requires a swap execution facility to establish and enforce rules and procedures for ensuring the financial integrity of swaps entered on or through its facilities. While the 2006 ISDA Definitions will continue to be available for use, ISDA has stated that it will not be updating these definitions after the implementation of the 2021 Definitions. Because the 2006 Definitions may cease to reflect new market developments, the Rule Amendments should ensure the financial integrity of the transactions that are effected on NEX SEF by permitting market participants to utilize FROs that are updated to reflect new developments in the interest rate derivatives markets.

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<sup>1</sup> <https://www.isda.org/a/BNEgE/Key-Changes-in-the-2021-ISDA-Interest-Rate-Derivatives-Definitions-June-2021.pdf>.

Pursuant to Section 5c(c) of the Act and CFTC Regulations 40.6(a), NEX SEF hereby certifies that the Rule Amendments 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 the CME Group website at <http://www.cmegroup.com/market-regulation/rule-filings.html>. 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

Attachment: Appendix A: NEX SEF Rulebook – Rules 802(1) and 802 (4) (blackline format)

## Appendix A

### **NEX SEF Rulebook**

(additions underscored; deletions ~~struck through~~)

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#### **Rule 802(1) — Fixed for Floating IRS**

A Fixed for Floating IRS is an Interest Rate Swap for which settlement is in the form of periodic fixed interest payments and a stream of periodic floating interest payments based on an interest rate over a term to maturity. The interest rate payments are exchanged for a specified period based on a notional amount.

<b>Currencies</b>		
AUD	SGD	NZD
ZAR	CAD	HKD
JPY	MXN	THB
USD	KRW	<u>MYR</u>

#### **Specifications**

##### Trading Conventions

- Buyer (Payer) pays fixed interest rate and receives floating interest rate.
- Seller (Receiver) receives fixed interest rate and pays floating interest rate.

##### Swap Leg Conventions

- The terms of Fixed versus Floating Interest Rate Swaps are based on a number of combinations of the criteria below.
  - Fixed Leg
    - Payment Frequency
      - Monthly, Quarterly, Semi-Annually, or Annually
    - Day Count Convention
      - Actual/360, actual/365, 360/360, 30/360, 30E/360, Actual Fixed/365, actual /366, actual / actual
    - Holiday Calendar
      - Applied in accordance for the country currency denoted for the instrument
    - Business Day Convention
      - Modified following with adjustment to period end dates. Business days in this convention must be valid business days for the countries denoted by the currency. If not, it will be the next day that is a business day on both calendars.
    - Fixed Rate
      - The traded interest rate yield or basis points on Trade Date
  - Floating Leg
    - Reset Frequency
      - Monthly, Quarterly, Semi-Annual
    - Day Count Convention
      - Actual/360, actual/365, 360/360, 30/360, 30E/360, Actual Fixed/365, actual /366, actual / actual
    - Holiday Calendar
      - Applied in accordance for the country currency denoted for the instrument
    - Business Day Convention

- Modified Following with adjustment to period end dates. Business days in this convention must be valid business days for the countries denoted by the currency. If not, it will be the next day that is a business day on both calendars.
- Fixed Rate
  - The traded interest rate yield or basis points on Trade Date
- Interest Rate Benchmark

AUD-BBR-BBSW  
 SGD-SOR-VWAP  
 NZD-BBR-FRA  
 ZAR-JIBAR-SAFEX  
 CAD-BA-CDOR  
 HKD-HIBOR-HKAB  
 JPY-LIBOR-BBA  
 MXN-TIIE-Banxico  
 THB-THBFIX-Reuters  
 MYR-KLIBOR-BNM  
 USD-LIBOR-BBA  
 KRW-CD-KSDA-Bloomberg  
[AUD-BBSW](#)  
[CAD-CDOR](#)  
[HKD-HIBOR](#)  
[JPY-LIBOR](#)  
[KRW-CD 91D](#)  
[MXN-TIIE](#)  
[MYR-KLIBOR](#)  
[NZD-BKBM FRA](#)  
[SGD-SOR](#)  
[THB-THBFIX](#)  
[USD-LIBOR](#)  
[ZAR-JIBAR](#)

[Remainder of Rule is unchanged.]

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#### **Rule 802(4) – Non Deliverable Swap**

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**Specifications**  
Trading Conventions

- Buyer (Payer) pays fixed interest rate and receives floating interest rate.
  - Seller (Receiver) receives fixed interest rate and pays floating interest rate.
- Swap Leg Conventions
- The terms of Non Deliverable Swaps are based on a number of combinations of the criteria below.
    - Fixed Leg
      - Payment Frequency
        - Weekly, Monthly, Quarterly, Semi-Annually, or Annually
      - Day Count Convention
        - Actual/360, actual/365, 360/360, 30/360, 30E/360, Actual Fixed/365, actual /366, actual / actual
      - Holiday Calendar
        - Applied in accordance for the country currency denoted for the instrument
      - Business Day Convention
        - Modified following with adjustment to period end dates. Business days in this convention must be valid business days for the countries denoted by the currency. If not, it will be the next day that is a business day on both calendars.
      - Fixed Rate
        - The traded interest rate yield or basis points on Trade Date
    - Floating Leg
      - Reset Frequency
        - Weekly, Monthly or Quarterly
      - Day Count Convention
        - Actual/360, actual/365, 360/360, 30/360, 30E/360, Actual Fixed/365, actual /366, actual / actual
      - Holiday Calendar
        - Applied in accordance for the country currency denoted for the instrument
      - Business Day Convention
        - Modified Following with adjustment to period end dates. Business days in this convention must be valid business days for the countries denoted by the currency. If not, it will be the next day that is a business day on both calendars.
      - Fixed Rate
        - The traded interest rate yield or basis points on Trade Date
      - Interest Rate Benchmark
        - KLIBOR
        - CNREPOFIX
        - KRW-CD-KSDA-Bloomberg
        - THBFIX
        - [CNY-Fixing Repo Rate](#)
        - [KRW-CD 91D](#)

[Remainder of Rule unchanged.]