

October 5, 2017

Submitted via CFTC Portal

Division of Market Oversight  
U.S. Commodity Futures Trading Commission  
Three Lafayette Centre  
1155 21st Street, N.W.  
Washington, D.C. 20581

Re: NEX SEF Limited – Regulation 40.6 Rule Certification – Amended Rulebook

Ladies and Gentlemen:

Pursuant to Section 5c(c) of the Commodity Exchange Act (the “Act”) and Section 40.6(a) of the regulations of the Commodity Futures Trading Commission (the “Commission”), NEX SEF Limited (“NEX SEF” or the “Facility”) hereby notifies the Commission that it has amended its Rulebook, specifically Rules 104, 107, 201, 202, 203, 204, 206, 208, 304, 309, 312, 314, 315, Chapter 8 and Confidential Chapter 9.

A concise explanation and analysis of the amendments to the Rulebook and their compliance with applicable provisions of the Act and the Commission’s regulations thereunder is attached hereto as Exhibit A.

A clean copy of the amended Rulebook exclusive of confidential Chapter 9 is attached hereto as Exhibit B and a copy of the Rulebook exclusive of confidential Chapter 9 marked to show changes against the version most recently submitted to the Commission is attached hereto as Exhibit C. A clean copy of confidential Chapter 9 is attached hereto as Exhibit D, and a copy of the Confidential Chapter 9 marked to show changes against the version last submitted to the Commission is attached hereto as Exhibit E. A request for confidential treatment of Exhibit D and Exhibit E is being simultaneously submitted to the Commission and a copy of that request for confidential treatment is included with this submission.

The amendments will become effective on October 30, 2017. NEX SEF certifies that the amendments comply with the requirements of the Act and the rules and regulations promulgated thereunder. NEX SEF has reviewed the swap execution facility core principles (“Core Principles”) as set forth in the Act and has determined that the amendments impact the Core Principles identified in Exhibit A.

NEX SEF is not aware of any substantive opposing views expressed with respect to this filing and certifies that, concurrent with this filing, a copy of this submission was posted on the NEX SEF website and may be accessed at: <http://www.nexsef.com>.

Please contact the undersigned at (212) 704-5491 with any questions regarding this matter.

Very truly yours,



Elisa Hirschmann, Chief Compliance Officer  
**NEX SEF LIMITED**  
2 Broadgate  
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## **Exhibit A**

### *Explanation and Analysis*

NEX SEF has amended its Rulebook, including Confidential Chapter 9, to incorporate changes necessary to support NEX Group's basis risk reduction service. These changes generally include the addition of Rules and Trading Protocols addressing Cleared Contracts and related disciplinary provisions, Pre-Arranged Crosses and the terms of additional contracts that may be executed on the Facility as part of the basis risk reduction service. Accordingly, definitions for the terms Cleared Contract, Clearing Firm, Clearing Firm Representation, DCO, Pre-Arranged Cross, Affirmation Hub, Breakage Agreement and related terms have been added to the Definitions section of the Rulebook and are referenced throughout the Rulebook. The principal Rules that have been amended are addressed below.

1. Rule 104(e) — specifically, the definition of “Physical Emergency” contained therein — has been amended to include backlogs and delays in processing data related to clearing Cleared Contracts.

The amendments are consistent with Core Principles 2 and 8.

2. Rule 107(g) has been amended to permit sharing of Confidential Information with DCOs to the extent necessary to clear swaps executed on the Facility.

The amendments are consistent with Core Principles 2 and 7.

3. Rule 201(c) and 202(c) have been amended to permit the Facility to deny the granting of Trading Privileges if an applicant cannot demonstrate the ability to adhere to DCO rules.

The amendments are consistent with Core Principle 2.

4. Rule 203 has been amended to require Trading Privilege Holders, Authorized Trading Firms and Intermediaries to demonstrate to the Facility that clearing arrangements are in place for any Cleared Contracts executed on the Facility.

The amendments are consistent with Core Principles 2 and 7.

5. Rule 204 has been added to set forth Rules governing the execution and submission for clearing of Cleared Contracts, including pre-execution credit checks and risk screenings, Clearing Firm Representations, failure of a Swap to clear, and the Affirmation of Cleared Contracts submitted for clearing through an Affirmation Hub.

The amendments are consistent with Core Principles 2 and 7.

6. Rule 206(a) has been amended to provide that each time a Clearing Firm provides a Clearing Firm Representation, the Clearing Firm expressly consents to the jurisdiction of the Facility.

The amendments are consistent with Core Principles 2 and 7.

7. Rule 208 has been amended to require Participants to submit information to the Facility, if applicable, relating to DCOs, Clearing Firms and available credit prior to entering Bids/Offers or Pre-Arranged Crosses.

The amendments are consistent with Core Principles 2 and 7.

8. Rule 304 has been amended to set forth Rules governing Pre-Arranged Crosses in Permitted Transactions.

The amendments are consistent with Core Principle 2.

9. Rule 309(g) has been amended to provide that the Facility will report Cleared Contracts to DTCC.

The amendments are consistent with Core Principles 2 and 7.

10. Rule 312(b) has been added to include procedures for the issuance of Confirmations for Cleared Contracts and Rule 312(c) has been amended to simplify the Rule at the request of the Commission.

The amendments are consistent with Core Principles 2 and 7.

11. Rule 314 has been amended to include requirements applicable to Clearing Firms with respect to Bunched Orders.

The amendments are consistent with Core Principles 2 and 7.

12. Rule 315 has been amended to include references to Cleared Contracts and Pre-Arranged Crosses, including the procedures for correcting errors pursuant to NAL 17-27.

The amendments are consistent with Core Principles 2 and 7 and NAL 17-27.

13. Rule 404 has been added to prohibit pre-arranged or non-competitively executed swaps unless done in accordance with the Rules governing Permitted Transactions, including Pre-Arranged Crosses, or NAL 17-27.

The amendments are consistent with Core Principle 2 and NAL 17-27.

14. Rule 516 has been added to permit the Market Regulation Staff to impose summary fines on Participants for failures to Affirm Cleared Contracts within the Facility-specified time limits.

The amendments are consistent with Core Principles 2 and 7.

15. Chapter 8 has been revised to include the Contract Specifications for the Contracts that will be listed in support of NEX Group's basis risk reduction service. Prior to the effectiveness of the amendments certified in this Regulation 40.6 Rule Certification, NEX SEF intends to file a product certification pursuant to Commission Regulation 40.2 certifying each of the new or amended Contracts set forth in Chapter 8 of the Facility Rulebook.

The amendments are consistent with Core Principle 3 and Commission Regulations 37.4 and 37.10.

16. Rule 901 has been revised to update the EBS Guide to Currency Pair Parameters Appendix.

The amendments are consistent with Core Principles 2 and 4.

17. Rule 902 has been added to Confidential Chapter 9 to add a Trading Protocol for the Order Book that supports NEX SEF's basis risk reduction service.

The amendments are consistent with Core Principle 2.

18. Rule 903 has been added to Confidential Chapter 9 to add a Pre-Arranged Cross Trading Protocol to support NEX SEF's basis risk reduction service.

The amendments are consistent with Core Principle 2.