

SUBMISSION COVER SHEET

IMPORTANT: Check box if Confidential Treatment is requested

Registered Entity Identifier Code (optional): 21-488

Organization: NEX SEF Limited ("NEX SEF")

Filing as a: DCM SEF DCO SDR

Please note - only ONE choice allowed.

Filing Date (mm/dd/yy): 11/08/21 Filing Description: Amendments to Rules 802(2) ("Basis Swaps"), 802(3) ("Forward Rate Agreements (FRA)"), and 802(4) ("Non Deliverable Swaps") in Connection with the CFTC Market Risk Advisory Committee Best Practice Advisory re Transition from LIBOR TO SOFR

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:

November 8, 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 Certification. Amendments to Rules 802(2) (“Basis Swaps”), 802(3) (“Forward Rate Agreements (FRA)”), and 802(4) (“Non Deliverable Swaps”) in Connection with the CFTC Market Risk Advisory Committee Best Practice Advisory re Transition from LIBOR TO SOFR. NEX SEF Submission No. 21-488

Dear Mr. Kirkpatrick:

NEX SEF Limited (“NEX SEF”) is certifying to the Commodity Futures Trading Commission (“CFTC” or “Commission”) amendments to Rules 802(2) (“Basis Swaps”), 802(3) (“Forward Rate Agreements (FRA)”), and 802(4) (“Non Deliverable Swaps”) to provide for new benchmark pursuant to the CFTC’s Market Risk Advisory Committee (“MRAC”) recent adoption of a best practice for the industry to switch from the London Inter-Bank Offered Rate (“LIBOR”) to the Secured Overnight Financing Rate (“SOFR”) for USD derivatives dated July 13, 2021¹ (collectively, the “Rule Amendments”) effective on trade date November 24, 2021.

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

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

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 LIBOR will continue to be available for use through 2023, the CFTC expects market participants to cease entering into new contracts that use USD LIBOR as a reference rate by December 2021.

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.

¹ <https://www.cftc.gov/PressRoom/PressReleases/8409-21>

NEX SEF certifies that this submission has been concurrently posted 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.

Sincerely,

/s/Christopher Bowen
Managing Director and Chief Regulatory Counsel

Attachment: Appendix A: NEX SEF Rulebook - Rules 802(2), 802(3), and 802(4) (blackline format)

Appendix A

NEX SEF Rulebook

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

Rule 802(2) — Basis Swaps

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

Currencies		
USD		
EUR		

Specifications

Trading Conventions

- Buyer (Payer) pays floating interest rate plus/minus a spread and receives floating interest rate.
- Seller (Receiver) receives floating interest rate plus/minus a spread and pays floating interest rate.

Swap Leg Conventions

- The terms of Basis Swaps are based on a number of combinations of the criteria below.
 - Floating Leg 1
 - Payment Frequency
 - Monthly, Quarterly, Semi-Annually, or Annually
 - Day Count Convention
 - Money Market Basis (actual/360), actual/365, actual/actual, actual/366, 360/360, 30/360, 30E/360 or AFI/365
 - 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 on both the calendars. If not, it will be the next day that is a business day on both calendars.
 - Floating Rate
 - The floating interest rate yield or basis points on Trade Date
 - Floating Leg 2
 - Reset Frequency
 - Monthly, Quarterly, Semi-Annual 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 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 on both calendars
 - If not, it will be the next day that is a business day on calendars.
 - Floating Rate
 - The floating interest rate yield or basis points on Trade Date
-
- Interest Rate Benchmark
 - ~~LIBOR, EURIBOR, SOFR, FED FUNDS. The Interest Rate Benchmarks are applied as the observed rate for the payment frequency of the transaction. In the case where the observed rates are shorter than the payment frequency, such as SOFR, FED FUNDS either a weighted average of the observed daily rates over the Tenor is used in determining the Floating Rate Payment, or a compounding of the rates to make the floating rate payment. This is shown by the difference in SOFR as either a weighted average over the Tenor ("SOFR-Weighted Average") or as compounded over the Tenor ("SOFR-Compound). EURIBOR, SOFR, FED FUNDS, SOFR. The Interest Rate Benchmarks are applied as a weighted average of the observed daily rates over the Tenor in determining the Floating Rates, with the exception of SOFR, where the parties may determine to apply SOFR as either a weighted average over the Tenor ("SOFR-Weighted Average") or as compounded over the Tenor ("SOFR-Compound").~~

Effective Date

- The first date from which floating interest amounts accrue. It is also referred to as the StartDate or the Value Date. The Effective Date of the Swap must be a business day subject to the appropriate Business Day Convention.

Trade Start Type

- Spot Starting
 - A swap whose Effective Date is 2 business days from the Trade Date (T+2).
- Forward Starting
 - A swap whose Effective Date is anything after the Effective Date for a Spot Starting swap.

Maturity Date

- The final date until which floating amounts accrue. The Maturity Date may also be referred to as the Termination Date or End Date.

Tenor

- The duration of time from the Effective Date to the Maturity Date. The SEF will support Tenors of any duration greater than 0 years to 50 years.
- Listed Tenors, also referred to as On-the-Run, are whole calendar year Spot Starting or Same Day Starting Swaps with a Tenor of 1 through 50 years.
- Other Tenors means any whole year Tenors other than the Listed Tenors and any partial year Tenor.

Roll Day Convention

- The date used for determining all Floating Reset Dates (other than for Daily Overnight Rates (as defined below), which are daily rates). Roll Days define the beginning and end of Floating interest accrual periods.
- For On-the-Run swaps, the Roll Day is the same date of the month as the Effective Date. For Off-the-Run swaps, it can be any date of the month, subject to the provisions of the Business Day Convention. Roll Day marks the start of a new interest accrual period and is the date on which a Reset Rate takes effect (other than for Daily Overnight Rates, which are daily rates).

Floating Reset Dates

- Note: Subject to good local days – as with all instruments, will never roll forward to the following month.

- Dates utilized to determine the Floating Rate amounts for each interest accrual period during the Tenor of the swap. Except in the case of a Stub Period or in the case of any Daily Overnight Rate leg, the Reset Date is 2 business days (USD or EUR) prior to the Roll Day for that interest accrual period. In the case of any Daily Overnight Rate leg, the Reset Date is the day prior to the Roll Day that ends the interest accrual period.

First Period Fixing Date

- For Spot Starting and Same Day Starting swaps, the Interest Rate for the first interest period is fixed on the Trade Date, for both Floating Rates (other than with respect to Overnight Rates), for which the Floating Rates are not ascertainable at such time.
- For Forward Starting swaps, the Floating Rate for the first interest period is fixed on the Trade Date, and the Floating Rate for the first interest period is fixed 2 business days prior to the Effective Date (other than with respect to Daily Overnight Rates, for which the Floating Rates are not ascertainable at such time).

Stub Period Rate

- For swaps with partial year Tenors, an interest period that is shorter than the standard underlying Floating index interest periods may occur between the Effective Date and the first or last Roll Date (known as a Stub Period). In these cases, the Interest Rate for such Stub Period is determined using linear interpolation based on the two index rates that surround the Stub Period; this can be applied either at the start or end of that period: Front or Back. This is not applicable to Daily Overnight Rates, which are daily rates.

Daily Overnight Rate Legs:

- Certain swap legs use daily overnight interest rates observed on business days during the interest accrual period ("Daily Overnight Rates"). Those interest rates may be compounded over the interest accrual period (e.g., SOFR-Compound) or use a weighted average of the observed rates (e.g., FED FUNDS, SOFR-Weighted Average). As a result, the rate applicable to the relevant interest accrual period cannot be determined until the end of that period and certain conventions applicable to accruals where the rate is set in advance do not apply.

Trade Types

- The Platform may support the following trade types:
 - Outrights
 - An Outright swap is where one party is the payer of the Floating Rate 1 plus/minus a spread and receiver of the Floating Rate 2 and the other party is the receiver of the Floating Rate 1 plus/minus a spread and payer of the Floating Rate 2.
 - Switches
 - Switches are the simultaneous purchase and sale of two different Tenors of the yield curve (e.g. 2 year by 10 year).
 - Butterflies
 - Butterflies are the simultaneous purchase(s) and sale(s) of three different tenors of the yield curve (e.g. 2 year by 5 year by 10 year).

Instrument minimum and incremental Size.

- Minimum notional size is dependent on currency and tenor
- Block Trades
 - Minimum notional size as stated by the Commission and increments dependent on currency and tenor.

Quoting Convention

- Outrights are quoted in interest rate yield is dependent on currency.
- Spreads and Butterflies are quoted in interest rate yield differential in minimum 1/10th basispoint increments.
 - Spot Starting
 - Close of business on Trade Date.
 - Forward Starting
 - Close of business three business days prior to the Effective Date of the swap.
 - Block Trades must occur outside the Order Book and in a quantity that meets or exceeds Appropriate Minimum Block Sizes set by the Commission.

Clearing

- Contracts are eligible to be cleared at LCH, Clearnet and CME. Please see clearable contract definitions at <http://www.lchclearnet.com/> and <http://www.cmegroup.com/>

Rule 802(3) — Forward Rate Agreement (FRA)

A Forward Rate Agreement is an Interest Rate Swap for which settlement is in the form of one fixed interest payment and one floating interest payment based on an interest rate benchmark to be paid or received on an obligation beginning at a future start date. The interest rate payments are exchanged based on a notional amount.

Currencies	
USD	DKK
EUR	NOK
GBP	PLN
CHF	CZK
SEK	HUF

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 FRAs are based on a number of combinations of the criteria below.
 - Fixed Leg
 - Payment Frequency
 - Once
 - Day Count Convention
 - Money Market Basis (actual/360), or actual/365, 30/360, 30E/360, AFI/360, 360/360
 - Holiday Calendar
 - Applied in accordance with the country relating to the currency of the instrument
 - Business Day Convention
 - Modified Following with adjustment to period end dates. Business days in this convention must be valid business days on both the holiday calendars of that country. 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
 - Once
- Day Count Convention
 - Money Market Basis (actual/360), or actual/365, 30/360, 30E/360, AFI/360, 360/360
- Holiday Calendar
 - Applied in accordance with the country relating to the currency of the instrument
- Business Day Convention
 - Modified Following with adjustment to period end dates. Business days in this convention must be valid business days on both the calendars for each country. If not, it will be the next day that is a business day on both respective country holiday calendars.
- Interest Rate Benchmark
 - LIBOR, [SOFR](#), EURIBOR, PRIBOR, CIBOR2, BUBOR, NIBOR, [WIBOR](#), STIBOR

Effective Date

- The first date from which fixed and floating interest amounts accrue. It is also referred to as the Start Date or the Value Date. The Effective Date of the Swap must be a business day subject to the appropriate Business Day Convention.

Trade Start Type

- Spot Starting
 - A swap whose Effective Date is 2 business days from the Trade Date (T+2).
- Forward Starting
 - A swap whose Effective Date is anything after the Effective Date for a Spot Starting swap.

Maturity Date

- The final date until which Fixed and Floating amounts accrue. The Maturity Date may also be referred to as the Termination Date or End Date.

Tenor

- The duration of time from the Effective Date to the Maturity Date Tenors will be support for any duration greater than 0 month to 12 months.
- Listed Tenors, also referred to as On-the-Run, means whole year Spot Starting or Same Day Starting Instruments with a Tenor of an integer number of months.
- Other Tenors means any Tenors other than the Listed Tenors.

Floating Reset Dates

- Dates utilized to determine the Floating Rate amount for the interest accrual period during the Tenor of the Instrument. Except in the case of a Stub Period, the Reset Date is adjusted business days dependent on the currency prior to the Roll Date for that interest accrual period.

First Period Fixing Date

- The Fixed Rate for the first interest period is fixed on the Trade Date, and the Floating Rate for the first interest period is fixed 2 business days prior to the Effective Date

Trade Types

- The Platform may support the following trade types:
 - Outrights
 - An Outright swap is where one party is the payer of the fixed rate and receiver of the floating rate and the other party is the receiver of the fixed rate and payer of the floating rate.
 - Switches also known as Spreads
 - These are the simultaneous purchase and sale of two different Tenors of the yield curve (e.g.3x6 by 9x12).

Instrument minimum and incremental Size.

- Minimum notional size is dependent on currency and tenor
- Block Trades. Minimum notional size as stated by the Commission and increments Dependent on currency and tenor

Quoting Convention

- Outrights are quoted in interest rate yield is dependent on currency.
- Spreads/Switches will be quoted in basis points dependent in multiples of the increments of the underlying Outrights

Last Trading Day

- Spot Starting
 - Close of business on Trade Date.
- Forward Starting
 - Close of business three business days prior to the Effective Date of the swap.

Clearing

- Contracts are eligible to be cleared at LCH. Clearnet and ASX. Contracts in certain currencies, as indicated by the Facility, are eligible to be cleared at Eurex. Please see clearable contract definitions at <http://www.lchclearnet.com/>, <http://www.asx.com.au/services/clearing/asx-clear-futures.htm> and <https://www.eurexclearing.com/clearing-en/resources/rules-and-regulations>.
- Eurex does not provide express or implied warranties or representations to swap counterparties executing Swaps on the Facility's platform relating to any of the services or facilities provided by the Facility, including but not limited to, the warranties of merchantability and fitness for a particular purpose or use. Eurex shall not have any liability or obligation to any swap counterparty using the Facility's platform.

Rule 802(4) — Non Deliverable Swaps

An ND IRS trade has many trade terms. For example, notional amount, fixed interest rate, floating rate, reference rate, holiday convention, etc. The deal is agreed on the basis that net settlement will be made in USD, or another fully convertible currency, to reflect any differential between the agreed fixed rate and the actual floating rate on the settlement dates. ND IRS are quoted as Offer/Bid. For ND IRS the fixed leg is quoted, hence it is Fixed Income Swap.

ND IRS

- An agreement between two parties (known as counterparties) where one stream of future interest payments is exchanged for another based on a specified principal amount. Interest rate swaps often exchange a fixed payment for a floating payment that is linked to an interest rate (most often the LIBOR, [SOFR](#)). The interest rate cash flows are net settled in a major currency on fixing date. A company will typically use interest rate swaps to limit or manage exposure to fluctuations in interest rates, or to obtain a marginally lower interest rate than it would have been able to get without the swap.
- Interest rate swaps are simply the exchange of one set of cash flows (based on interest rate specifications) for another. Because they trade OTC, they are really just contracts set up between two or more parties, and thus can be customized in any number of ways.

Currencies	
MYR	CNY
KRW	THB

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
 - SOFR
 - CNREPOFIX
 - KRW-CD-KSDA-Bloomberg
 - THBFIX
 - CNY-Fixing Repo Rate
 - KRW-CD 91D

Effective Date

- The first date from which fixed and floating interest amounts accrue. It is also referred to as the Start Date or the Value Date. The Effective Date of the Swap must be a business day subject to the appropriate Business Day Convention.

Trade Start Type

- Spot Starting.
 - A swap whose Effective Date is 2 business days from the Trade Date(T+2).
- Forward Starting
 - A swap whose Effective Date is anything after the Effective Date for a Spot Starting swap.

Maturity Date

- The final date until which Fixed and Floating amounts accrue

Tenor

- The duration of time from the Effective Date to the Maturity Date. Tenors of any duration, greater than 0 months to 3 months.

Roll Day Convention

- The date used for determining all fixed and floating Reset Dates. Roll Days define the beginning and end of Fixed and Floating interest accrual periods.
 - For On-the-Run Contracts, the Roll Day is the same date of the month as the Effective Date.
 - For Off-the-Run Contracts, it can be any date of the month, subject to the provisions of the Business Day Convention
- Roll Day marks the start of a new interest accrual period, and is the date on which a ResetRate takes effect.

Trade Types

- The Platform may support the following trade types:
 - Outrights
 - An Outright swap is where one party is the payer of the fixed rate and receiver of the floating rate and the other party is the

receiver of the fixed rate and payer of the floating rate.

Clearing

- Non Deliverable Swaps traded on NEX SEF are generally not cleared; however, Contracts for KRW and THB are clearable at the election of the counterparties on the Effective Date.