

December 8, 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 103, 104, 106, 106, 201, 202, 203, 205, 206, 208, 209, 210, 211, 212, 309, 310, 315, 502, 703 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 January 3, 2018. 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
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Exhibit A*Explanation and Analysis*

NEX SEF has amended its Rulebook, including Confidential Chapter 9, as provided below. The amendments incorporate changes necessary to permit NEX SEF to comply with the MiFID II requirements applicable to NEX SEF as an MTF authorised and regulated by the FCA. Capitalized terms used but not defined herein have the meanings assigned to them in the Rulebook.

Section/Rule	Description of Revision	Reason and/or Supporting Rule or Core Principle
Cover Page	Updated version number and effective date.	Conforming change
Table of Contents	Conformed to new Rules, new Rule numbers and new page numbers.	Conforming change
Various	Updated cross-references throughout Rulebook to reflect updated Rule numbers.	Conforming change
Definitions	The following definitions were revised or added in connection with new and updated Rules addressing MiFID II requirements applicable to NEX SEF: <ul style="list-style-type: none"> • Active Region • Applicable Law • Arbitrator Components • Broker Component • Competent Authority • CRD IV • CRR • Credit Institution • Direct Electronic Access • Disorderly Trading Conditions • Fair Usage Policy • Investment Firm • Kill Function Policy • MAR • Market Regulation Advisory Notice (MRAN) • MTF • MiFIR • MMA • Organisational Requirements CDR • Pre-Trade Controls • Professional Client • Waiver 	<ul style="list-style-type: none"> • MiFID II requirements • Core Principle 2
General Regulatory Status	Revised section to delete reference to NEX SEF being authorised to deal in investments.	<ul style="list-style-type: none"> • MiFID II requirements • Core Principle 2
Rule 103(c)(3)	Updated Rule 103(c) to prohibit specified NEX SEF employees and affiliates from entering into Contracts in which they have any material interest.	<ul style="list-style-type: none"> • MiFID II requirements • Core Principle 12
Rule 104(c) and (h)	Updated Rule 104 relating to (i) actions that may be taken in Emergencies and (ii) circumstances under which	<ul style="list-style-type: none"> • MiFID II requirements • Core Principle 8

Section/Rule	Description of Revision	Reason and/or Supporting Rule or Core Principle
	Pre-Trade Controls may be exceeded.	
Rule 105	Updated Rule 105 to permit the Board to remove Contracts from trading, in addition to the existing authority to suspend trading in certain Contracts, and to describe the circumstances under which the Board may remove or suspend trading in a Contract.	<ul style="list-style-type: none"> • MiFID II requirements • Core Principles 2, 4, 8
Rule 106	Updated Rule 106 to permit the Regulatory Oversight Committee to constrain trading during certain market conditions, in addition to pausing or halting trading.	<ul style="list-style-type: none"> • MiFID II requirements • Core Principles 2, 4, 8
Rule 201(d)	Added Rule 201(d) requiring those with Trading Privileges to meet certain MiFID II requirements, including being an Investment Firm or a Credit Institution or satisfying certain listed criteria, which replaced deleted Rule 201(c)(3).	<ul style="list-style-type: none"> • MiFID II requirements • Core Principle 2
Rule 202(b)(3)	Revised Rule 202(b)(3) to require each Authorised Trading Firm to provide evidence that it is a Professional Client or an Eligible Counterparty under MiFID II.	<ul style="list-style-type: none"> • MiFID II requirements • Core Principle 2
Rule 202(d)(1)(ii)	Revised Rule 202(d)(1)(ii) to include being of sufficiently good repute as a fitness standard for Intermediaries, Authorised Traders and Authorised Trading Firms.	<ul style="list-style-type: none"> • MiFID II requirements • Core Principle 2
Rule 203(a)	Revised Rule 203(a) to require each Trading Privilege Holder, Customer and Authorised Trading Firm to be a Professional Client or an Eligible Counterparty under MiFID II.	<ul style="list-style-type: none"> • MiFID II requirements • Core Principle 2
Rule 205(b)	Added new Rule 205(b) to specify that Trading Privileges will be granted to an applicant only after NEX SEF completes its due diligence process, as described in a MRAN.	<ul style="list-style-type: none"> • MiFID II requirements • Core Principle 2
Rule 206(b) and (c)	Added new Rule 206(b) and revised Rule 206(c) to specify that NEX SEF will perform an annual risk-based assessment of Participants' and Customers' compliance with the Rules and that such Participants and Customers must fully cooperate with any due diligence process or annual assessment.	<ul style="list-style-type: none"> • MiFID II requirements • Core Principles 2, 5
Rule 206(i) through (k)	Added new Rules 206(i) - (i) to set forth new requirements and standards related to conforming testing of each Participant's trading systems, algorithms and/or strategies. New Rules 206(j) and (k) require business clocks to conform to MiFID II standards, as set forth in a MRAN, as well as require each Participant to provide NEX SEF with certain organizational and trading control information upon request.	<ul style="list-style-type: none"> • MiFID II requirements • Core Principles 2, 5
Rule 208(c)	Updated Rule 208(c) to specify that all books and records required to be kept under Rule 208 must be kept readily	<ul style="list-style-type: none"> • MiFID II requirements • Core Principles 4, 10

Section/Rule	Description of Revision	Reason and/or Supporting Rule or Core Principle
	accessible at all times during the relevant holding period.	
Rule 209(b)(2)	Added new Rule 209(b)(2) to require NEX SEF to retain telephone records for the period required by the FCA.	<ul style="list-style-type: none"> • MiFID II requirements • Core Principle 10
Rule 210(f)	Updated Rule 210(f) to require Participants to notify NEX SEF of any change in their status as a Professional Client, if applicable.	<ul style="list-style-type: none"> • MiFID II requirements • Core Principles 2, 5
Rule 211(a)	Updated Rule 211(a) to require that any Fees levied by the Board will be done so on a non-discriminatory basis.	<ul style="list-style-type: none"> • MiFID II requirements • Core Principle 2
Rule 212(b)	Added new Rule 212(b) to require Trading Privilege Holders pursuing a market making strategy by way of algorithmic trading to comply with NEX SEF's market making agreement under specified circumstances.	<ul style="list-style-type: none"> • MiFID II requirements • Core Principles 2, 4
Rule 309(f)(2)	Updated Rule 309(f)(2) to disclose to Participants that the FCA may grant NEX SEF a Waiver with respect to its obligations to disclose Bids/Offers publicly.	<ul style="list-style-type: none"> • MiFID II requirements • Core Principles 2, 9
Rule 310(c)	Added new Rule 310(c) to establish that NEX SEF has implemented Pre-Trade Controls, as set forth in a MRAN.	<ul style="list-style-type: none"> • MiFID II requirements • Core Principles 2, 4
Rule 310(d) and (e)	Added new Rule 310(d) to permit NEX SEF to cancel unexecuted Bids/Offers in specified circumstances and to specify that such cancellations will be done in accordance with NEX SEF's Kill Functionality Policy, available on NEX SEF's website. New Rule 310(e) clarifies that each Participant can cancel its own unexecuted Bids/Offers.	<ul style="list-style-type: none"> • MiFID II requirements • Core Principles 2, 4
Rule 315(a)	Updated Rule 315(a) to permit NEX SEF to cancel transactions when necessary to mitigate Disorderly Trading Conditions and breaches of capacity limits.	<ul style="list-style-type: none"> • MiFID II requirements • Core Principles 2, 4
Rule 502(a)	Updated Rule 502(a) to provide that the Compliance Function will ensure surveillance systems are established to prevent market abuse, identify system disruptions and to otherwise ensure compliance with the Rules.	<ul style="list-style-type: none"> • MiFID II requirements • Core Principles 2, 4
Rule 703(a)	Added new Rule 703(a) to provide that Facility Subject Persons may make complaints directly to the Head of Compliance EMEA.	<ul style="list-style-type: none"> • MiFID II requirements • Core Principles 2, 15
Chapter 9	NEX SEF has removed a certain type of advanced order from the list of permitted Advanced Order Types available under Rule 901(e)(4).	<ul style="list-style-type: none"> • Order type no longer supported • Core Principle 2