

December 15, 2016

Submitted via Portal

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

Re: Bloomberg SEF LLC – Certification 2016-R-18 (Notice to Participants)

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 U.S. Commodity Futures Trading Commission (the “Commission”), Bloomberg SEF LLC (“Bloomberg SEF”) hereby notifies the Commission that Bloomberg SEF will release the Notice to Participants attached hereto on December 15, 2016 (the “Notice”).

The Notice informs Participants of the procedures and requirements under Rule 516 for submitting a new trade to the swap execution facility operated by Bloomberg SEF after a trade is rejected by a clearing house because of an operational or clerical error or omission by a Participant. The supporting Core Principle or Commission regulation for this Notice is Core Principle 2 and CFTC No-Action Letter 16-58.

Bloomberg SEF hereby certifies that: (i) the Notice to Participants complies with the Act and the Commission’s regulations thereunder, and (ii) a notice and copy of this submission is being concurrently posted on Bloomberg SEF’s website. There were no substantive opposing views to the Notice to Participants.

The Notice will become effective as of January 3, 2017.

Please contact the undersigned at (212) 617-8302 with any questions regarding this matter.

Very truly yours,

A handwritten signature in blue ink, appearing to read "Gregory Dumark", with a long horizontal flourish extending to the right.

Gregory Dumark
Chief Compliance Officer

Bloomberg SEF LLC
731 Lexington Avenue
New York, NY 10022

Enclosures

Error Trade Correction - Error Trades rejected by a Clearing House

For each Error Trade rejected by a Clearing House and determined to be *void ab initio* under Rule 533 because of an operational or clerical error or omission made by a Participant, BSEF may allow the affected Participants to enter into a new pre-arranged Trade (the “new Trade”) correcting the terms of the rejected Error Trade.

Participants seeking to enter into a new Trade must seek and obtain approval from BSEF prior to doing so. The new Trade must be submitted for clearing as quickly as technologically practicable after receipt of a rejection notice (the “Notice”) by the Clearing House to the Clearing Members, but, in any event, no later than one hour from the issuance of the Notice. The new Trade should have all of the terms and conditions of the rejected Error Trade, other than any such error and time of execution, provided, however, that the terms of such new Trade shall not include costs or fees associated with the rejected Error Trade.

A Participant seeking to enter into a new Trade correcting the terms of the rejected Error Trade should raise an RFQ ticket or a Manual Order Ticket, refer to the field denoted “RFQ Minimum Exception,” and choose “Error Correction” before submitting the Order.

If the new Trade that corrects the Error Trade is also rejected by the Clearing House and *void ab initio*, the affected Participants will not be provided a second opportunity to correct the Error Trade.

The text of Rule 516 is attached to this Notice to Participants as Annex A.

Capitalized terms used but not defined herein shall have the meanings ascribed to them in the BSEF Rulebook.

Effective Date: January 3, 2017

RULE 516. Trade Cancellation, Correction, Offset and Adjustment

RULE 516.A Trade Review and Notification of Action Taken – Cleared Swaps

(a) Any Trade in Cleared Swaps executed on or in accordance with the Rules of the SEF operated by BSEF can be canceled, corrected, adjusted or offset only upon consent of BSEF and in accordance with this Rule 516. To request cancellation, correction, adjustment or offset of a Trade alleged to be erroneous (“**Alleged Error Trade**”), a Participant must notify the BSEF Support Desk at 1-212-617-1530 by providing the Trade ID (FIT Key) of the Alleged Error Trade and stating the grounds for the request as soon as possible, but no later than the end of the Business Day following the date of execution of the Alleged Error Trade.

(b) For an Alleged Error Trade, the Compliance Department will review promptly the electronic audit trail of the Alleged Error Trade as well as any other facts and circumstances associated with the Alleged Error Trade. If BSEF makes an affirmative finding that the Alleged Error Trade was the result of a clerical or operational error and that the cancellation, correction, adjustment or offset of the Alleged Error Trade is appropriate and would not adversely impact market integrity, facilitate market manipulation or other illegitimate activity, or otherwise violate the CEA, CFTC Regulations or BSEF Rules, BSEF will designate such Alleged Error Trade as an “**Error Trade.**”

(c) BSEF will inform affected Participants of the Error Trade and of the next steps that the Participants must or could make. BSEF will also inform the affected Participants of the final disposition of the Error Trade.

(d) In the course of its review of an Alleged Error Trade, other than a Trade executed via the CLOB, BSEF may, but is not obliged to, inform Participants affected by the Alleged Error Trade of the identity and contact information of any other Participant affected by the Alleged Error Trade.

(e) For Trades executed via the CLOB that are determined to be Error Trades, BSEF will inform Participants affected by the Error Trade of the identity and contact information of any other Participant affected by the Error Trade if (i) all such Participants agree to or are required to enter into Trades described in Rule 516.B; and (ii) all such Participants consent to the disclosure of their identity and contact information to any other Participant affected by the Error Trade.

(f) For purposes of this Rule 516, a Participant involved in an Alleged Error Trade and acting as an Account Manager, Introducing Broker or FCM shall have the authority to request or consent to the cancellation, adjustment or offset, as applicable, of such Trade on behalf of the relevant Counterparty involved in the Trade.

(g) “Offsetting Terms” mean the terms that match all terms of the corresponding Error Trade other than the direction of the Error Trade.

RULE 516.B Error Trade Cancellation, Correction, Adjustment and Offset – Cleared Swaps

(a) Participant Errors

(i) For each Error Trade cleared by a Clearing House, BSEF may, if both Participants agree:

(A) request, or allow the Participants to request, the appropriate Clearing House to cancel, correct or adjust the Error Trade; or

(B) allow the affected Participants to enter into a pre-arranged Trade with Offsetting Terms to offset the position on the books of the Clearing House that resulted from the Error Trade; and/or

(C) if desired by the affected Participants, allow the affected Participants to execute a new Trade that corrects the error in the Error Trade, provided, however, that the terms of such new Trade shall not include costs or fees associated with the Error Trade.

(ii) For each Error Trade rejected by a Clearing House and determined to be *void ab initio* under Rule 533 because of an operational or clerical error or omission made by a Participant, Counterparty or Account Manager, BSEF may, if both Participants agree, allow the affected Participants to enter into a new pre-arranged Trade correcting the terms of the rejected Error Trade.

(iii) All BSEF Rules other than Rule 522.A shall apply to new Trades executed by Participants pursuant to this Rule 516.B(a).

(iv) Participants must report to BSEF as soon as possible all changes made to the Error Trade pursuant to Rule 516.B(a)(i)(A).

(v) With respect to an Error Trade rejected by a Clearing House for non-credit reasons, if the new Trade that corrects the Error Trade is also rejected by the Clearing House and *void ab initio*, the affected Participants will not be provided a second opportunity to correct the Error Trade.

(b) System Errors

(i) If, after its own investigation or a notice from a Participant, BSEF determines in its sole discretion that the execution of a Trade cleared by a Clearing House was the result of an error made by the SEF Platform and the Trade has been designated as an Error Trade, then BSEF may:

(A) request, or allow the Participants to request, the appropriate Clearing House to cancel, correct or adjust the Error Trade; or

(B) direct the affected Participants to enter into a pre-arranged Trade with Offsetting Terms to offset the position on the books of the Clearing House that resulted from the Error Trade; and/or

(C) direct the affected Participants to execute a new Trade that corrects the error in the Error Trade, provided, however, that the terms of such new Trade shall not include costs or fees associated with the Error Trade.

(ii) If, after its own investigation or a notice from a Participant, BSEF determines in its sole discretion that the execution of a Trade rejected by a Clearing House and determined to be *void ab initio* under Rule 533 because of an operational or clerical error or omission made by the SEF Platform was the result of an error made by the SEF Platform and the Trade has been designated as an Error Trade, then BSEF may direct the affected Participants to enter into a new pre-arranged Trade correcting the terms of the rejected Error Trade, provided, however, that the terms of such new Trade shall not include costs or fees associated with the Error Trade.

(iii) If BSEF directs affected Participants to enter into a pre-arranged Trade in accordance with sub-section (i)(B) above, the affected Participants shall enter into such pre-arranged Trade.

(iv) All BSEF Rules other than Rule 522.A shall apply to new Trades executed by Participants pursuant to this Rule 516.B(b).

(v) Notwithstanding anything to the contrary in this Rule 516(B)(b), BSEF reserves the right to correct an Error Trade resulting from an error made by the SEF Platform by any means BSEF deems appropriate.

(vi) If BSEF is unable to determine how to correct the Error Trade, BSEF may either not fix the error, or it may seek guidance on how to address the error from the affected Participants. Any such guidance may not be implemented without consent from both Participants.

(vii) Participant must report to BSEF as soon as possible all changes made to the Error Trade pursuant to Rule 516.B(b)(i)(A).

(viii) With respect to an Error Trade rejected by a Clearing House for non-credit reasons, if the new Trade that corrects the Error Trade is also rejected by the Clearing House and *void ab initio*, the affected Participants will not be directed to enter into another Trade to correct the Error Trade.

(a) Timing of an Offset or Correction.

(i) For Error Trades rejected by a Clearing House for non-credit reasons, the new Trade must be executed on the SEF operated by BSEF and submitted for clearing as quickly as technologically practicable after receipt of notice of the rejection by

the Clearing House to the Clearing Members, but, in any event, no later than **one** hour from the issuance of the notice.

- (ii) For Error Trades in Cleared Swaps, the Trade to offset the Error Trade carried on the Clearing House's books or the new Trade that corrects the error in the Error Trade executed pursuant to this Rule 516.B must be executed and submitted for clearing no later than three Business Days after the Error Trade was executed.

(b) This Rule 516.B is subject to CFTC No-Action Letter 16-58, which expires June 15, 2017.

RULE 516.C Erroneous Trade Cancellation, Correction and Adjustment – Non-Cleared Swaps

(a) **Participant Error**

(i) The Participants involved in an erroneous Trade, other than a Prime Broker Trade, may mutually agree to cancel the erroneous Trade or to correct or adjust the erroneous Trade. BSEF will cancel, correct or adjust the erroneous Trade as instructed by the affected Participants. A Prime Broker Trade shall be canceled in accordance with Rule 516.D.

(b) **System Error**

(i) If, after its own investigation or a notice from a Participant, BSEF determines in its sole discretion that the execution of a Trade, other than a Prime Broker Trade, was the result of an error made by the SEF Platform, then BSEF may:

(A) cancel such Trade; or

(B) if both Participants, or with respect to a Prime Broker Trade, both Participants and the Prime Broker, affected by the erroneous Trade agree, correct or adjust the price.

(c) **Timing of a Correction, Cancellation or Adjustment.** Any correction, cancellation or adjustment made pursuant to this Rule 516.C shall be made no later than three Business Days after the erroneous Trade was discovered.

RULE 516.D Prime Broker Trades

(a) A Participant that is a Counterparty to a Prime Broker Trade may request the cancellation of a Prime Broker Trade. The Participant must request cancellation by sending a cancellation message to BSEF. The cancellation message must state the USI of the Prime Broker Trade, name and contact information of the Prime Broker for the Prime Broker Trade and the reason for cancellation. If the Prime Broker confirms the cancellation, BSEF will cancel the Prime Broker Trade.

(b) Subject to subsection (c) of this Rule, a Prime Broker shall have the right to cancel any Prime Broker Trade (i) that is executed in excess of the limit, terms or parameters established by the Prime Broker with respect to the Prime Broker Trade, (ii) because the Prime Broker Trade was executed by or with a Person that was not authorized by the Prime Broker, or (iii) because the Prime Broker Trade was executed for an unauthorized product. The Prime Broker must request cancellation by sending a cancellation message to BSEF. The cancellation message must state the USI of the Prime Broker Trade and the reason for cancellation. If BSEF determines that the cancellation satisfies the conditions of Rule 516.D(b), BSEF will cancel the Prime Broker Trade.

(c) Each Prime Broker that wishes to have the ability to instruct BSEF to cancel Trades executed on BSEF under Rule 516.D.(b) must enter into an agreement with BSEF.

RULE 516.E Trade Cancellation and Adjustment by BSEF

(a) BSEF may adjust or cancel a Trade (i) that resulted from a market disrupting event, (ii) that is executed at a price that was outside the No-Bust Range, (iii) to comply with the Applicable Law or (iv) that was intended to be cleared and was submitted to a Clearing House via a service provider but was not presented to the Clearing House for clearing due to a post-execution processing issue.

(b) If BSEF takes action pursuant to this Rule 516.E, it will give prompt notice to affected Participant or Participants and will use good faith, commercially reasonable efforts to obtain such Participants' consent to such adjustment or cancellation.

RULE 516.F Trade Reporting by BSEF

BSEF will report the adjustment or cancellation of the Trade and any new Trade entered into pursuant to this Rule in accordance with Rule 532.