

SUBMISSION COVER SHEET

IMPORTANT: Check box if Confidential Treatment is requested

Registered Entity Identifier Code (optional): 23-356

Organization: NEX SEF Limited ("NEX SEF")

Filing as a: DCM SEF DCO SDR

Please note - only ONE choice allowed.

Filing Date (mm/dd/yy): 08/15/23 **Filing Description:** Amendments to NEX SEF Rule 901 ("System Protocols") of the NEX SEF Rulebook (Form SEF Exhibit M) and the Issuance of NEX SEF Market Regulation Advisory Notice ("MRAN") 2023-01

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:

August 15, 2023

VIA ELECTRONIC PORTAL

Mr. Christopher J. Kirkpatrick
Office of the Secretariat
Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st Street, N.W.
Washington, D.C. 20581

**Re: CFTC Regulation 40.6(a) Certification. Amendments to NEX SEF Rule 901 (“System Protocols”) of the NEX SEF Rulebook (Form SEF Exhibit M) and the Issuance of NEX SEF Market Regulation Advisory Notice (“MRAN”) 2023-01.
NEX SEF Submission No. 23-356**

Dear Mr. Kirkpatrick:

Pursuant to Commodity Futures Trading Commission (“CFTC” or “Commission”) Regulation 40.6(a), NEX SEF Limited (“NEX SEF”) hereby certifies to the CFTC amendments to NEX SEF Rule 901 (“System Protocols”) of the NEX SEF Rulebook (Form SEF Exhibit M) and the issuance of associated NEX SEF Market Regulation Advisory Notice (“MRAN”) 2023-01 which shall supersede MRAN 2021-03 regarding EBS NDF Quote Fill Thresholds (collectively, the “Rule Amendments”) effective on September 1, 2023.

Specifically, the Rule Amendments are as follows:

1. NEX SEF Rulebook (Form SEF Exhibit M) – Amendments to Rule 901 (“System Protocols”) to replace the current Quote Fill Ratio (“QFR”) Program with the Messaging Efficiency Program (“MEP”) for consistency with other CME Group entities operating on the CME Globex electronic trading platform (“CME Globex”) as well as other non-substantive, administrative amendments.
2. MRAN 2023-01 – Issuance of MRAN outlining the MEP requirements, calculation methodology, monitoring and consequences of breaches. This MRAN 2023-01 regarding EBS NDF Market Efficient Program supersedes MRAN 2021-03 regarding EBS NDF Quote Fill Thresholds (see NEX SEF Submission [21-250](#) dated June 1, 2021).

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 Principles:

Core Principle 2 – Compliance with Rules: CEA Section 5h(f)(2)(A) requires a swap execution facility to establish and enforce compliance with its rules. The CFTC has implemented this statutory requirement by adopting CFTC Regulation 37.203(a), which requires a swap execution facility to prohibit manipulative or disruptive trading practices prohibited by the CEA or by the Commission pursuant to Commission regulation. The Rule Amendments are intended to assist NEX SEF in ensuring that its market participants comply with its rules and NEX SEF remains in compliance with CFTC Regulation 37.203(a) and the Core Principles.

Core Principle 4 – Monitoring of Trading and Trade Processing: CEA Section 5h(f)(4)(A) requires swap execution facility to establish trading procedures to be used in entering and executing orders traded on or through the facilities of the swap execution facility. The Rule Amendments outline updated trading procedures with respect to order entry and efficiency on NEX SEF, and accordingly, the Rule Amendments are in compliance with this Core Principle.

Core Principle 5 – Availability of Obtain Information: CEA Section 5h(f)(5) requires a swap execution facility to enforce rules that will allow it to obtain any necessary information to perform any of the functions described in Section 5h of the Act. As required by this Core Principle, NEX SEF is publicly issuing Rule Amendments to ensure that market participants have updated guidance on the manner in which it will apply its MEP requirements for specified currency pairs. These Rule Amendments will also be available on the CME Group website.

Appendix A provides amendments to the NEX SEF Rulebook under separate cover in blackline format. Appendix B provides NEX SEF MRAN 2023-01, also under separate cover.

Pursuant to Section 5c(c) of the CEA and Regulations 37.3(b)(3) and 40.6(a), NEX SEF hereby certifies that the Rule Amendments comply with the Act, as amended, and the Commission's regulations thereunder. There were no substantive opposing views to this 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 212-299-2200 or via email at CMEGSubmissionInquiry@cmegroup.com.

Sincerely,

/s/ Christopher Bowen
Managing Director and Chief Regulatory Counsel

Attachments: Appendix A – NEX SEF Rulebook (Form SEF Exhibit M) (blackline format)
Appendix B – NEX SEF MRAN 2023-01

Appendix A
NEX SEF Rulebook

(additions underscored; deletions ~~overstruck~~)
(provided under separate cover)

Appendix B

MARKET REGULATION ADVISORY NOTICE

From	<i>NEX SEF Limited (“NEX SEF”)</i>
To	<i>All EBS Asian NDF Platform Participants</i>
Subject	<i>EBS NDF Market Efficiency Program</i>
Rule References	406, 514, 901
Effective Date	<i>September 1, 2023</i>
Notice Date	<i>August 17, 2023</i>
Notice Number	2023-01

This Market Regulation Advisory Notice (MRAN) supersedes MRAN 2021-03.

This MRAN replaces the Quote Fill Ratio requirements outlined in MRAN 2021-03, with Market Efficiency Program Requirements.

NEX SEF | EBS NDF Messaging Efficiency Program

Overview

It is important to NEX SEF that all Participants have a rewarding experience on the NEX SEF platform. It benefits the market to have the liquidity and price discovery that comes from as many Participants as possible that are able and willing to transact with each other.

NEX SEF implemented a Messaging Efficiency Program (“MEP”) across Asian NDF 1M currency pairs for Bids/Offers submitted via EBS Ai, pursuant to NEX SEF Rule 901. MEP supports quote quality at Top of Book and replaces the prior QFR Program outlined in MRAN 2021-03.

Because certain Participants have more than one Trading Floor Code, the MEP may be applied on an aggregate basis for all Trading Floors Codes of a Participant. Similarly, because certain Participants maintain separate Trading Floors for manual trading from their Affiliates’ Trading Floors that use APIs, the relevant MEP may be calculated with respect to the Trading Floors of a Participant and its Affiliates on an aggregate basis to ensure that Rule 901-compliant trading activity will not be inadvertently classified as a violation of Rule 406. Finally, when applying the calculation under MEP, NEX SEF, at the request of the Participant, may aggregate all Bids/Offers submitted to the NEX SEF Dealing Service regardless of access method (*i.e.*, EBS Ai, Workstation or Global Access) by the relevant Trading Floors.

MEP Methodology and Parameters are outlined in the [EBS Market NDF Messaging Efficiency Program](#).

Monitoring and Request for Waivers

During any calendar month Calculation Period, NEX SEF will inform Participants if their Trading Floor, or one or more of their Trading Floors if a Participant has more than one, is not meeting the MEP parameters at the end of the month Calculation Period (the “Monitoring Period”). Participants will be billed a surcharge for any breaches based on the Surcharge Calculation Methodology outlined in the [EBS Market NDF Messaging Efficiency Program](#).

A Participant may submit a Request for Waiver (RFW) of a surcharge if the firm believes that there was a compelling justification for exceeding the applicable messaging threshold. Waiver requests for the MEP must be submitted between the first and 10th business day of the month following the month in which the MEP surcharge occurred. The RFW should be submitted to ebsmarketmepwaiver@cmegroup.com

and include a detailed rationale for exceeding the MEP. Participant cannot request more than one (1) waiver per quarter.

The EBS MEP Waiver Committee, made up of a cross functional group across relevant CME teams to support a consistent review process, will carefully consider those requests and has sole discretion as to whether to grant any waivers. NEX SEF will periodically review EBS market activity to determine if thresholds should be adjusted.

Action for Breach of MEP

Should the Participant fail to meet the established MEP requirements for the specified currency pair in the 1M Outright On-SEF NDF market during three consecutive Monitoring Periods, this matter will be referred to the Compliance Function for consideration of disciplinary action, consistent with Chapter 5 of the NEX SEF Rulebook.