

SUBMISSION COVER SHEET

Registered Entity Identifier Code (optional): 2015-P-18 Date: February 13, 2015

IMPORTANT: CHECK BOX IF CONFIDENTIAL TREATMENT IS REQUESTED.

ORGANIZATION

Bloomberg SEF LLC

FILING AS A:

DCM

SEF

DCO

SDR

ECM/SPDC

TYPE OF FILING

• **Rules and Rule Amendments**

Certification under § 40.6 (a) or § 41.24 (a)

“Non-Material Agricultural Rule Change” under § 40.4 (b)(5)

Notification under § 40.6 (d)

Request for Approval under § 40.4 (a) or § 40.5 (a)

Advance Notice of SIDCO Rule Change under § 40.10 (a)

• **Products**

Certification under § 39.5(b), § 40.2 (a), or § 41.23 (a)

Swap Class Certification under § 40.2 (d)

Request for Approval under § 40.3 (a)

Novel Derivative Product Notification under § 40.12 (a)

RULE NUMBERS

None applicable; terms and conditions of the “Option on CDS Index Contract – North America Investment Grade 3Y [ICE]” are attached as Attachment A.

DESCRIPTION

In accordance with Commodity Futures Trading Commission (“Commission”) Rule 40.2(a), this is a certification submission by Bloomberg SEF LLC (“BSEF”) of a new product for trading – the “Option on CDS Index Contract – North America Investment Grade 3Y [ICE]” (“Contract”).

Bloomberg SEF LLC
New Contract Submission 2015-P-18
February 13, 2015

1. The Contract's terms and conditions are attached as Attachment A.
2. The intended listing date is ten days after submission of this certification to the Commission.
3. Attached, please find a certification that, concurrent with this submission, BSEF posted on its website: (a) a notice of pending certification of this Contract with the Commission; and (b) a copy of this submission.
4. Attached, please find a certification that the Contract complies with the Act and the Commission regulations thereunder.

**EXPLANATION AND ANALYSIS OF THE CONTRACT'S COMPLIANCE WITH
APPLICABLE CORE PRINCIPLES AND COMMISSION REGULATIONS**

As required by Commission Rule 40.2(a), the following demonstrates that the Contract is consistent with the requirements of the Act and the Commission regulations and policies thereunder.

Commission Rule 37.301 provides that, "To demonstrate to the Commission compliance with the requirements of §37.300, a swap execution facility shall, at the time it submits a new swap contract in advance to the Commission pursuant to part 40 of this chapter, provide the applicable information as set forth in Appendix C to part 38 of this chapter—Demonstration of Compliance That a Contract is not Readily Susceptible to Manipulation. A swap execution facility may also refer to the guidance and/or acceptable practices in Appendix B of this part."

The Contract certified herein is an option to enter into the following underlying Swap (as this term is defined in the BSEF Rulebook): CDS Index Contract – North America Investment Grade 3Y [ICE].

An option on a swap grants its owner the right, but not the obligation, to enter into an underlying swap. The Payer Option has the right but not the obligation to Buy Protection by purchasing the underlying Swap under which the buyer of protection pays a premium to the seller in case of a credit event occurring. Credit events include Bankruptcy and Failure to Pay. The Receiver Option is the right but not the obligation to sell protection by selling the underlying Swap whereby the seller receives the premium payments from the protection buyer. The seller owns the credit risk of the underlying swap.

This contract is a European option, which provides that the purchaser is permitted to exercise the option and enter into the swap only on the option's expiration date—the Option Expiry.

Appendix B to Part 37—Guidance on, and Acceptable Practices in, Compliance with Core Principles

Appendix B to Part 37 requires that a SEF demonstrate that a Swap to be certified under Commission Rule 40.2 not be readily susceptible to manipulation. BSEF provided a demonstration in its certification with internal identifier 2014-P-19, submitted on February 25, 2014, that the swap underlying this option, BSEF listed Swap, **CDS Index Contract – North America Investment Grade 3Y [ICE]**, is not readily susceptible to manipulation. BSEF incorporates that demonstration in this submission as if it were fully set forth herein.

Appendix C to Part 38 - Demonstration of Compliance That a Contract Is Not Readily Susceptible to Manipulation

Appendix C provides with respect to options that, “The Commission's experience with the oversight of trading in futures option contracts indicates that most of the terms and conditions associated with such trading do not raise any regulatory concerns or issues.” The Commission therefore concluded that as long as the terms and conditions of an option are specified in an automatic and objective manner, any specification would be acceptable and does “not affect an option contract's susceptibility to manipulation or its utility for risk management.”

Accordingly, the terms and conditions of the option on BSEF Swap **CDS Index Contract – North America Investment Grade 3Y [ICE]** are set forth below. As with options on futures, the terms and conditions of options on swaps do not separately affect the contract's susceptibility to manipulation. Accordingly, conceptually, the terms and conditions of the option should therefore be acceptable under Commission guidance as long as those terms are specified in an automatic and objective manner. As discussed below, not all of the terms and conditions applicable to options on futures will be applicable to options on swaps, or they may be applicable but in a different manner due to the difference between Swaps and futures.

Exercise method

The owner of the option must notify the writer of the option of the owner's intent to exercise the option during business hours on the expiration date of the option. Notice shall be in the form and manner as agreed by the counterparties. Upon exercise, the counterparties must submit the Swap for clearing to the Clearing House.

Exercise procedure:

Positions in the underlying swap will be established via book entry by the Clearing House.

Strike price listing provisions:

The fixed coupon rate of the underlying Swap is the strike price. Unlike options on futures wherein the exchange lists various strike prices for trading, in options on swaps, the strike price is as agreed by the parties.

Strike price intervals:

Unlike options on futures, BSEF does not specify strike price intervals for options on swaps. The interval is as agreed between the parties.

Automatic exercise provisions:

There is no automatic exercise. The option owner must exercise by notifying the option writer.

Contract size:

The size of the option is as the parties shall agree. Unlike options on futures, the size of the underlying is as the parties agree.

Option minimum tick:

Unlike in futures trading, there is no tick size for the Contract because the size of the Contract is determined by the counterparties.

Option Expiration & Last Trading Day:

Appendix C provides that for options on futures, “the specification of the last trading day should consider the relationship of the option expiration date to the delivery period for the underlying futures contract.” Appendix C continues by discussing the relation of option expiration to futures expiration date and delivery on the futures contract.”


These concerns do not apply to options on swaps. Unlike futures, performance on the swap only begins upon entry into the swap. Accordingly, in the case of a swap, upon exercise of the option, the parties enter into a swap that will have an extended period in which the parties will be obligated to perform. This is in contrast to futures where option exercise could be simultaneous with the futures expiration and delivery would occur simultaneously on both. This could lead to concerns regarding increases in open interest of futures at the time delivery will be required. This concern is not manifest in an option on a swap and therefore this consideration is not applicable to trading options on swaps. Accordingly, the timing of option Expiry and entry into the underlying Swap is not a consideration with respect to whether the instrument is readily subject to manipulation.

Speculative Limits.

Speculative position limits or position accountability will be the same as the underlying swap.

CERTIFICATIONS PURSUANT TO SECTION 5c OF THE COMMODITY EXCHANGE
ACT, 7 U.S.C. §7A-2 AND COMMODITY FUTURES TRADING COMMISSION
REGULATION 40.2, 17 C.F.R. §40.2

I hereby certify that: 1) the “Option – CDS Index Contract – North America Investment Grade 3Y [ICE]” complies with the Commodity Exchange Act, 7 U.S.C. §1 *et seq.* and regulations thereunder; and 2) concurrent with this submission, Bloomberg SEF LLC posted on its website: (a) a notice of pending certification of this Contract with the Commission; and (b) a copy of this submission.



By: Gregory Dumark
Title: Chief Compliance Officer
Date: February 13, 2015

Attachment A
Terms and Conditions

[see attached]

Bloomberg SEF LLC

Option on Credit Default Swaps (CDS): CDS Index Contract – North America Investment Grade 3Y

Contract Overview	An agreement granting the owner the right, but not the obligation, to enter into a Swap listed for trading on BSEF which is exercisable only on a specific date. Upon exercise of the option, the counterparties enter into and submit the underlying swap for clearing by a derivative clearing organization set forth below (the “Clearing House”).
Ticker	CDX IG CDSI 3 [Series] [Expiry] [Direction] [Strike]
Underlying Swap	CDS Index Contract – North America Investment Grade 3Y (ICE) . An agreement to buy or sell protection on a basket of liquid North America based entities with an investment grade credit rating.
Index of Underlying Swap	CDX.NA.IG: Series 11 to current
Currency	USD
Quoting Convention and Minimum Increment	As agreed by counterparties
Minimum Size	As agreed by counterparties
Trading Conventions	<p>Payer Option=right but not the obligation to buy protection by purchasing the underlying Swap whereby the buyer of protection pays a premium to the seller in case of a credit event occurring. Credit events include bankruptcy and failure to pay.</p> <p>Receiver Option= right but not the obligation to Sell Protection by selling the underlying Swap whereby the seller receives the premium payments from the protection buyer. The seller owns the credit risk of the underlying swap.</p>
Option Strike Price	Fixed coupon of the underlying swap
Option Expiry Date	As agreed by the parties
Exercise method	The owner must notify the writer of the option of its intent to exercise the option during regular business hours on the Expiry Date. The form and method of notification shall be as agreed by the counterparties. Upon exercise of the option, the counterparties must submit the underlying Swap for clearing to the Clearing

	House.
Trading Hours and Venue	00:01 -24:00 Sunday-Friday; Eastern Time
Clearing Venue for the underlying Swap	ICE Clear U.S.; ICE Clear Europe
Block Size	As set forth in Appendix F to Part 43. of the CFTC Regulations
Speculative Limits	Same as for the underlying Swap
Reportable Levels	Same as for the underlying Swap