

## SUBMISSION COVER SHEET

**IMPORTANT:** Check box if Confidential Treatment is requested.

**Registered Entity Identifier Code (optional):** ICAP-2014-R-9

**Organization:** ICAP SEF (US) LLC

**Filing as a:**  DCM  SEF  DCO  SDR Please note – only ONE choice allowed.

**Filing Date (mm/dd/yy):** 08/07/2014 **Filing Description:**

Delisting of certain Credit Derivatives contracts based on Markit iTraxx Indices

**SPECIFY FILING TYPE** Please note only ONE choice allowed per Submission.

### Organization Rules and Rule Amendments

- |                          |                                     |            |
|--------------------------|-------------------------------------|------------|
| <input 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:

#### 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     |

**Official Product Name:** \_\_\_\_\_

### 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 checked="" 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(b)           |
| <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:** iTraxx based Credit Derivative Indices, iTraxx based Credit Derivatives Tranches, all Credit Derivatives Options

**Rule Numbers:** Rule 802(1), (2) and (3)

August 7, 2014

Submitted via email

Division of Market Oversight  
U.S. Commodity Futures Trading Commission  
Three Lafayette Centre  
1155 21st Street, N.W.  
Washington, D.C. 20581  
via email: [submissions@cftc.gov](mailto:submissions@cftc.gov); [dmosubmissions@cftc.gov](mailto:dmosubmissions@cftc.gov)

Re: ICAP SEF (US) LLC – CFTC Regulation 40.6(a) Certification – Notification of the Delisting of iTraxx-based Credit Derivative Swaps and Options

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"), ICAP SEF (US) LLC ("ICAP SEF" or the "SEF") hereby notifies the Commission that it is delisting the Credit Derivative swaps and options set forth in SEF Rules 802(1), (2) and (3) that are based on the iTraxx credit default swap indices published by Markit Group Limited (the "iTraxx Contracts"). There is currently no open interest in the iTraxx Contracts. The iTraxx Contracts will be delisted from ICAP SEF effective on August 8, 2014.

A concise explanation and analysis of the amendments to the SEF Rule 802 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 SEF Rule 802 is attached hereto as Exhibit B, and a copy of SEF Rule 802 marked to show changes against the previously certified rule is attached hereto as Exhibit C.

ICAP SEF certifies that the amendments comply with the requirements of the Commodity Exchange Act and the rules and regulations promulgated thereunder. ICAP SEF has reviewed the swap execution facility core principles ("Core Principles") as set forth in the Commodity Exchange Act and has determined that the amendments impact the Core Principles identified in Exhibit A.

ICAP 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 ICAP SEF website and may be accessed at:

<http://www.icap.com/what-we-do/global-broking/sef.aspx>.

Please contact the undersigned at (212) 341-9193 with any questions regarding this matter.

Very truly yours,

  
Gregory Compa  
Chief Compliance Officer

ICAP SEF (US) LLC  
1100 Plaza Five  
Jersey City, NJ 07311

**Exhibit A***Explanation and Analysis*

1. SEF Rules 802(1), (2) and (3) currently set forth the specifications for Credit Derivative Indices, Credit Derivative Tranches and Credit Derivative Options. SEF Rules 801(1) and (2) will be amended to delete all references to “iTraxx” and the iTraxx Contracts, but will otherwise remain unchanged because the rules also govern Credit Derivative Indices and Credit Derivative Tranches based on indices other than iTraxx indices. SEF Rule 801(3) will be deleted in its entirety to reflect the delisting of all Credit Derivative Options, each of which was based on iTraxx indices. There is currently no open interest in the iTraxx Contracts submitted for delisting, and therefore there will be no market disruption related to their delisting. Furthermore, ICAP SEF will publicly make available this submission detailing the delisting of the iTraxx Contracts and will amend ICAP SEF Rule 802 to reflect the delisting of the iTraxx Contracts.

The amendments to Rule 802 are consistent with Core Principle 2.

**Exhibit B**

**SEF Rule 802**

**Credit Derivatives Product Descriptions**

**Products — Rule 802**

- Credit Derivatives Indices
- Credit Derivatives Tranches
- [Reserved]
- IOS Index Credit Default Swaps
- iBoxx Total Return Swaps
- iBoxx Liquid Leveraged Loans Total Return Swaps

## Product Specifications

### Rule 802(1) — Credit Derivatives Indices

A credit default swap index is a credit derivative used to hedge credit risk or to take a position on a basket of credit entities (a CDS index is a portfolio of actively traded liquid names in a particular sector of the market). A credit default swap index is standardized, therefore highly liquid and trades on a very small bid-offer spread. This makes it a primary market vehicle for gaining diversified credit exposure.

A new series of CDS indices are issued every six months and attributed a Series indicator by Markit Partners (previously issued series continue to be traded until their expiry date). Prior to the announcement of each series a group of investment banks is polled to determine the credit entities that will form the constituents of the new issue. On the day of issue a fixed coupon is decided for the each index based on the credit spread of the entities in the index. Once this has been decided the index constituents and the fixed coupon are published, and the indices can be actively traded. They are traded according to set rules, which cannot be altered. For example, each series has its own set of expiry dates.

The index is based on the below CDX indices. CDX indices contain North American and Emerging Market companies and are administered by CDS Index Company (CDSIndexCo) and marketed by Markit Group.

- New series are determined on the basis of liquidity every 6 months.

Indices	Tenors
CDX.NA.IG	3Y, 5Y, 7Y, 10Y
CDX.NA.HY	5Y
CDX.EM	5Y
CDX.LatAm.Corp	3Y, 5Y

Currencies
USD
EUR
JPY

CDX.NA.HY Index is composed of one hundred liquid constituents with high yield credit rating. The index is further divided into sub indices:

- CDX.NA.HY.BB
- CDX.NA.HY.B

Each HY Index and related sub-indices will begin on September 27 (or the Business Day immediately thereafter in the event that September 27 is not a Business Day) and March 27 (or the Business Day immediately thereafter in the event that March 27 is not a Business Day) of each calendar year (each such date, a “Roll Date”).

CDX.NA.IG Index is composed of one hundred and twenty five liquid constituents with investment grade credit rating. The index is further divided into sub indices:

- Consumer: CDX.NA.IG.CONS
- Energy: CDX.NA.IG.ENRG
- Financials: CDX.NA.IG.FIN
- Industrial: CDX.NA.IG.INDU
- Telecom, Media and Technology: CDX.NA.IG.TMT
- Hi Volatility CDX.NA.IG.HVOL

Each IG Index and related sub-indices will begin on September 20 (or the Business Day immediately thereafter in the event that September 20 is not a Business Day) and March 20 (or the Business Day immediately thereafter in the event that March 20 is not a Business Day) of each calendar year (each such date, a “Roll Date”).

CDX.EM Index is composed of fourteen sovereign issuers from the following regions: Latin America, Middle East, Eastern Europe, Africa and Asia. The EM Index rolls every six months on September 20<sup>th</sup> and March 20<sup>th</sup>.

**Index Specifications**

- Trading conventions
  - Buyer (Payer). This is the party to a CDS contract which pays a premium for protection in case a credit event occurs. The Protection Buyer can also speculate that the cost of protection will rise and profit from selling the CDS contract at a higher price than was paid
  - Seller (Receiver). This is the party to a CDS contract receiving the premium payments, and who is exposed to the credit risk of the reference entity.
  
- Swap Leg conventions
  - Business Day count: Actual/360
  - Business day convention: Following
  - Business Day calendar: follow the currency calendar
    - EUR: London and TARGET Settlement Day
    - USD: London and New York
  
- Credit Event: Failure to pay, Bankruptcy, (Modified) Restructuring
- Term/Tenor: Refers to the duration of a Credit Default Swap Index contract. Indices are traded at 3, 5, 7 and 10-year maturities and a new series is determined on the basis of liquidity every 6 months.
- Maturity Date: Unadjusted date that falls on the 20<sup>th</sup> of Mar and Sep
- Coupon Payments: Each coupon is equal to (actual/360), (# of days in accrual period). The accrual period always stretches from (previous coupon payment date) through (this coupon payment date-1), inclusive; except a contract’s last accrual period, which ends with (and includes) the unadjusted maturity date.
  - Coupon Payment Dates: Business day adjusted date that falls on 20<sup>th</sup> of Mar, Jun, Sep, and Dec and accrue on a Actual/360. The date will be adjusted to the next business day if 20<sup>th</sup> falls on a weekend.
  - The first coupon payment date is determined by the trade date, for example:

Example (Table 1): Consider a 1y \$36mm 100bp standard CDS traded in Feb09, maturing 20Mar10:

Coupon	Accrual Start	Accrual End	# Days	Payment	Payment Date
1 <sup>st</sup>	Mon 22Dec08	Thu 19Mar09	88	\$88k	Fri 20Mar09
2 <sup>nd</sup>	Fri 20Mar09	Sun 21Jun09	94	\$94k	Mon 22Jun09
3 <sup>rd</sup>	Mon 22Jun09	Sun 20Sep09	91	\$91k	Mon 21Sep09
4 <sup>th</sup>	Mon 21Sep09	Sun 20Dec09	91	\$91k	Mon 21Dec09
5 <sup>th</sup> (final)	Mon 21Dec09	Sat 20Mar10	90	\$90k	Mon 22Mar10

- Coupon Rates: 25bp, 100bp, 500bp, 1000bp

- Rolling dates: CDS Index roll semi-annually in March and September.
- Recovery rate — Estimate of percentage of par value bondholders will receive after a credit event. CDS for investment grade bonds generally assume a 40% recovery rate. However, CDS for lower rated bonds are more dynamic and often reflect lower estimated recovery rates.
- Trade types. CDS Index instruments can be traded either on an outright basis, or as a switch.
  - Outrights: An agreement between two parties whereby one party pays the other party periodic payments for the specified life of the agreement
  - Rolls/Switches/Spreads: A switch is a single Transaction that results in a simultaneous buy and sell of two or more underlying outright contracts. CDS indices are traded either in spread or in price terms, a generic term describing the difference, generally in basis points, between the levels of two reference values.
- Settlement: if a credit event occurs then CDS Index contracts are cash settled.
  - Cash settlement: The protection seller pays the buyer the difference between par value and the market price of a debt obligation of the reference entity.
- Upfront payments: upfront payments are made at initiation of the trade. It incorporates the difference between the traded level and the index coupon, as well as accrued interest.
- Order size: A minimum order size can be defined at the time of order entry.
- Clearing House: ICE and LCH. The choice of clearing house is determined at the time of order entry and is based on qualification of each participant's clearing firm.

For more information on these instruments, including detailed specifications, please see <http://www.markit.com/HYandIG> and <http://www.markit.com/EM>.

Additionally, please see clearable contract definitions at <https://www.theice.com/cdx>.



## Rule 802(2) — Credit Derivatives Tranches

Some of the credit indices are also available in a tranching format, which allows investors to gain exposure on a particular portion of the index loss distribution. Tranches are defined by attachment and detachment points. Defaults affect the tranches according to the seniority of the tranche in the capital structure.

Indices	Tranches
CDX.NA.HY	0-10, 10-15, 15-25, 25-35, 35-100
CDX.NA.IG	0-3, 3-7, 7-15, 15-100
LCDX	0-5, 5-8, 8-12, 12-15, 15-100

Currencies
USD
EUR

### *Tranche Mechanics*

The protection buyer of a tranche makes quarterly coupon payments to the protection seller and receives a payment in case there is a credit event in the underlying portfolio. Upfront payments are made at initiation and close of the trade to reflect the change in price. Coupon payments (500bps or 100bps per annum) are made until the notional amount of the tranche gets fully written down due to a series of credit events or until maturity whichever is earlier. Payments are made by the protection seller as long as the losses are greater than the attachment point and less than the detachment point for that tranche. Once the total loss reaches the detachment point, that tranche notional is fully written down. The premium payments are made on the reduced notional after each credit event.

For more information on these instruments, please see <http://www.markit.com>.

**Rule 802(3) — [Reserved]**

## Rule 802(4) — IOS Index Credit Default Swaps

Contract Specification	Details
Product Description	An agreement to buy or sell protection on a synthetic total return swap index of 30-year, fixed-rate Fannie Mae mortgage pools.
Index Name	Markit IOS Index
Quotation	Contract prices are quoted in dollars and cents per contract.
Units of Trading	Contract(s)
Expiration Date	Trading shall cease at the end of the last day of the contract designated settlement period.
Settlement	<p>Contingent payment - Payments related to credit event settlement will be determined pursuant to the 2009 ISDA Credit Derivatives Determination Committees and Auction Settlement Supplement, (i.e., the Big Bang Protocol).</p> <p>Fixed Quarterly cash payments - reflected in basis points and paid by the protection buyer to the protection seller.</p> <p>Upfront fee payment - The upfront fee is a portion of the payments, expressed in percentage points of the notional, which is present valued and paid immediately to the seller.</p>
Swap Conventions	Fixed coupon payments are calculated at a spread of 100 bps and exchanged on a quarterly basis.
Minimum Price Fluctuation/Price Tick Size	As agreed to by the parties.
Contract Size	As agreed to by the parties
Effective Date	As agreed to by the parties.
Maturity Date	As agreed to by the parties. The Maturity Date may also be referred to as the Termination Date or End Date.
Tenor	The duration of the time from the Effective Date to the Maturity Date.
Trade Types	IOS Index CDS can be traded as one of the following trade type: <ul style="list-style-type: none"><li>a) Outright</li><li>b) Roll trades</li><li>c) Curve trades</li></ul>
Last Trading Day	As agreed to by the parties.

Contract Specification	Details
Trading Months	All months.
Trading Hours	00:01 – 24:00 (ET) Sunday to Friday
Trading Conventions	<ul style="list-style-type: none"> <li>a) Buy = Buy protection. The buyer pays a premium to the seller in case of a credit event occurring. Credit events include bankruptcy and failure to pay.</li> <li>b) Sell = Sell protection. The seller of protection receives the premium payments from the protection buyer. The seller owns the credit risk of the instrument.</li> </ul>
	Investment grade indices are traded on spread.
Speculative Limits	No speculative limits are currently required.
Reportable Levels	No reportable levels are currently applicable.

## Rule 802(5) — iBoxx Total Return Swaps

Contract Specification	Details
Product Description	<p>The Contract is a total return swap where one party (the “Buyer”) is obliged to pay a predetermined set rate, fixed or variable, to the other party (the “Seller”) in exchange for the notional-based return performance of one of the following indices:</p> <p>Markit iBoxx EUR Corporates Markit iBoxx EUR Liquid HY Markit iBoxx GBP Corporates Markit iBoxx USD Domestic Corporates Markit iBoxx USD Liquid HY</p>
Quotation	As agreed to between the parties.
Units of Trading	Contract(s)
Expiration Date	Trading shall cease at the end of the last day of the contract designated settlement period.
Settlement Terms	<p>Cash settled.</p> <p>a) Buyer (Payer): receives appreciation and income of the index; pays depreciation of, if any, the index; pays a fixed rate of interest of a rate of interest plus a differential on the underlying notional amount of the contract, as agreed to between the parties.</p> <p>b) Seller (Receiver): pays appreciation and income of the index; receives depreciation of, if any, the index; receives a fixed rate of interest or a rate of interest plus a differential on the underlying notional amount of the contract, as agreed to between the parties.</p>
Minimum Price Fluctuation/Price Tick Size	As agreed to between the parties.
Settlement Price	The settlement price will be the price agreed at the commencement of the contract, measured in increments of the applicable minimum price fluctuation.
Contract Size	1 contract, incremental size is 1 contract.
Effective Date	As agreed to between the parties.
Maturity Date	The Maturity Date may also be referred to as the Termination Date or End Date; as agreed to between the parties.
Tenor	The duration of the time from the Effective Date to the Maturity Date; as agreed to between the parties.
Trade Types	Contracts can be traded as one of the following trade type:

Contract Specification	Details
	<ul style="list-style-type: none"> <li>a) Outright</li> <li>b) Spread (calendar and/or between indices)</li> </ul>
Last Trading Day	Trading terminates at the close of business on the last business day of each contract month.
Trading Months	All months.
Trading Hours	07:00 – 16:00 (ET) Monday to Friday
Swap Leg Conventions	<ul style="list-style-type: none"> <li>a) Payment Frequency: Monthly, Quarterly, Semi-Annually, or Annually</li> <li>b) Holiday Calendar: New York and London</li> <li>c) Business Day Convention: Modified Following.</li> <li>d) Business Days: If settlement is in GBP or EUR, London and TARGET2, and if USD, New York.</li> <li>d) Set Rate: The agreed rate of the product traded.</li> </ul>
Speculative Limits	No speculative limits are currently required.
Reportable Levels	No reportable levels are currently applicable.

## Rule 802(6) — iBoxx Liquid Leveraged Loans Total Return Swaps

Contract Specification	Details
Product Description	The Contract is a total return swap where one party (the “Buyer”) is obliged to pay a predetermined set rate, fixed or variable, to the other party (the “Seller”) in exchange for the notional-based return performance of the Markit iBoxx USD Liquid Leveraged Loans Index.
Quotation	As agreed to between the parties.
Units of Trading	Contract(s)
Expiration Date	Trading shall cease at the end of the last day of the contract designated settlement period.
Settlement Terms	Cash settled.  a) Buyer (Payer): receives appreciation and income of the index; pays depreciation of, if any, the index; pays a fixed rate of interest of a rate of interest plus a differential on the underlying notional amount of the contract, as agreed to between the parties.  b) Seller (Receiver): pays appreciation and income of the index; receives depreciation of, if any, the index; receives a fixed rate of interest or a rate of interest plus a differential on the underlying notional amount of the contract, as agreed to between the parties.
Minimum Price Fluctuation/Price Tick Size	As agreed to between the parties.
Settlement Price	The settlement price will be the price agreed at the commencement of the contract, measured in increments of the applicable minimum price fluctuation.
Contract Size	1 contract, incremental size is 1 contract.
Effective Date	As agreed to between the parties.
Maturity Date	The Maturity Date may also be referred to as the Termination Date or End Date; as agreed to between the parties.
Tenor	The duration of the time from the Effective Date to the Maturity Date; as agreed to between the parties.
Trade Types	Contracts can be traded as one of the following trade type:  a) Outright b) Spread (calendar and/or between indices)
Last Trading Day	Trading terminates at the close of business on the last business day of each contract month.
Trading Months	All months.
Trading Hours	07:00 – 16:00 (ET) Monday to Friday

Contract Specification	Details
Swap Leg Conventions	<ul style="list-style-type: none"> <li>a) Payment Frequency: Monthly, Quarterly, Semi-Annually, or Annually</li> <li>b) Holiday Calendar: New York and London</li> <li>c) Business Day Convention: Modified Following.</li> <li>d) Business Days: If settlement is in GBP or EUR, London and TARGET2, and if USD, New York.</li> <li>d) Set Rate: The agreed rate of the product traded.</li> </ul>
Speculative Limits	No speculative limits are currently required.
Reportable Levels	No reportable levels are currently applicable.



**Exhibit C**

**SEF Rule 802**

**Credit Derivatives Product Descriptions**

**Products — Rule 802**

- (1) Credit Derivatives Indices
- (2) Credit Derivatives Tranches
- (3) ~~Credit Derivatives Options~~ [\[Reserved\]](#)
- (4) IOS Index Credit Default Swaps
- (5) iBoxx Total Return Swaps
- (6) iBoxx Liquid Leveraged Loans Total Return Swaps

## Product Specifications

### Rule 802(1) — Credit Derivatives Indices

A credit default swap index is a credit derivative used to hedge credit risk or to take a position on a basket of credit entities (a CDS index is a portfolio of actively traded liquid names in a particular sector of the market). A credit default swap index is standardized, therefore highly liquid and trades on a very small bid-offer spread. This makes it is a primary market vehicle for gaining diversified credit exposure.

A new series of CDS indices are issued every six months and attributed a Series indicator by Markit Partners (previously issued series continue to be traded until their expiry date). Prior to the announcement of each series a group of investment banks is polled to determine the credit entities that will form the constituents of the new issue. On the day of issue a fixed coupon is decided for the each index based on the credit spread of the entities in the index. Once this has been decided the index constituents and the fixed coupon are published, and the indices can be actively traded. They are traded according to set rules, which cannot be altered. For example, each series has its own set of expiry dates.

~~There are two main families of~~ The index: is based on the below CDX ~~-indices.~~ CDX indices contain North American and Emerging Market companies and are administered by CDS Index Company (CDSIndexCo) and marketed by Markit Group.

- ~~iTraxx —iTraxx indices contain companies from the rest of the world and are managed by the International Index Company (IIC).~~ New series are determined on the basis of liquidity every 6 months.

Indices	Tenors
CDX.NA.IG	3Y, 5Y, 7Y, 10Y
CDX.NA.HY	5Y
CDX.EM	5Y
CDX.LatAm.Corp	3Y, 5Y
iTraxx Europe	5Y, 10Y
iTraxx Europe Crossover	3Y, 5Y, 7Y, 10Y
iTraxx Financials Sen	3Y, 5Y, 7Y, 10Y
iTraxx Financials Sub	3Y, 5Y, 7Y, 10Y
iTraxx Europe HiVol	3Y, 5Y, 7Y, 10Y
Markit iTraxx Asia	3Y, 5Y, 7Y, 10Y
Markit iTraxx Australia	3Y, 5Y, 7Y, 10Y
Markit iTraxx CEEMEA	3Y, 5Y, 7Y, 10Y
Markit iTraxx Japan	3Y, 5Y, 7Y, 10Y

Currencies
USD
EUR
JPY

CDX.NA.HY Index is composed of one hundred liquid constituents with high yield credit rating. The index is further divided into sub indices:

- CDX.NA.HY.BB
- CDX.NA.HY.B

Each HY Index and related sub-indices will begin on September 27 (or the Business Day immediately thereafter in the event that September 27 is not a Business Day) and March 27 (or the Business Day

immediately thereafter in the event that March 27 is not a Business Day) of each calendar year (each such date, a “Roll Date”).

CDX.NA.IG Index is composed of one hundred and twenty five liquid constituents with investment grade credit rating. The index is further divided into sub indices:

- Consumer: CDX.NA.IG.CONS
- Energy: CDX.NA.IG.ENRG
- Financials: CDX.NA.IG.FIN
- Industrial: CDX.NA.IG.INDU
- Telecom, Media and Technology: CDX.NA.IG.TMT
- Hi Volatility CDX.NA.IG.HVOL

Each IG Index and related sub-indices will begin on September 20 (or the Business Day immediately thereafter in the event that September 20 is not a Business Day) and March 20 (or the Business Day immediately thereafter in the event that March 20 is not a Business Day) of each calendar year (each such date, a “Roll Date”).

CDX.EM Index is composed of fourteen sovereign issuers from the following regions: Latin America, Middle East, Eastern Europe, Africa and Asia. The EM Index rolls every six months on September 20<sup>th</sup> and March 20<sup>th</sup>.

### ***Index Specifications***

- Trading conventions
  - Buyer (Payer). This is the party to a CDS contract which pays a premium for protection in case a credit event occurs. The Protection Buyer can also speculate that the cost of protection will rise and profit from selling the CDS contract at a higher price than was paid
  - Seller (Receiver). This is the party to a CDS contract receiving the premium payments, and who is exposed to the credit risk of the reference entity.
- Swap Leg conventions
  - Business Day count: Actual/360
  - Business day convention: Following
  - Business Day calendar: follow the currency calendar
    - EUR: London and TARGET Settlement Day
    - USD: London and New York
- Credit Event: Failure to pay, Bankruptcy, (Modified) Restructuring
- Term/Tenor: Refers to the duration of a Credit Default Swap Index contract. Indices are traded at 3, 5, 7 and 10-year maturities and a new series is determined on the basis of liquidity every 6 months.
- Maturity Date: Unadjusted date that falls on the 20<sup>th</sup> of Mar and Sep
- Coupon Payments: Each coupon is equal to (actual/360), (# of days in accrual period). The accrual period always stretches from (previous coupon payment date) through (this coupon payment date-1), inclusive; except a contract’s last accrual period, which ends with (and includes) the unadjusted maturity date.
  - Coupon Payment Dates: Business day adjusted date that falls on 20<sup>th</sup> of Mar, Jun, Sep, and Dec and accrue on a Actual/360. The date will be adjusted to the next business day if 20<sup>th</sup> falls on a weekend.
  - The first coupon payment date is determined by the trade date, for example:

Example (Table 1): Consider a 1y \$36mm 100bp standard CDS traded in Feb09, maturing 20Mar10:

Coupon	Accrual Start	Accrual End	# Days	Payment	Payment Date
1 <sup>st</sup>	Mon 22Dec08	Thu 19Mar09	88	\$88k	Fri 20Mar09
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3 <sup>rd</sup>	Mon 22Jun09	Sun 20Sep09	91	\$91k	Mon 21Sep09
4 <sup>th</sup>	Mon 21Sep09	Sun 20Dec09	91	\$91k	Mon 21Dec09
5 <sup>th</sup> (final)	Mon 21Dec09	Sat 20Mar10	90	\$90k	Mon 22Mar10

- Coupon Rates: 25bp, 100bp, 500bp, 1000bp
- Rolling dates: CDS Index roll semi-annually in March and September.
- Recovery rate — Estimate of percentage of par value bondholders will receive after a credit event. CDS for investment grade bonds generally assume a 40% recovery rate. However, CDS for lower rated bonds are more dynamic and often reflect lower estimated recovery rates.
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  - Outrights: An agreement between two parties whereby one party pays the other party periodic payments for the specified life of the agreement
  - Rolls/Switches/Spreads: A switch is a single Transaction that results in a simultaneous buy and sell of two or more underlying outright contracts. CDS indices are traded either in spread or in price terms, a generic term describing the difference, generally in basis points, between the levels of two reference values.
- Settlement: if a credit event occurs then CDS Index contracts are cash settled.
  - Cash settlement: The protection seller pays the buyer the difference between par value and the market price of a debt obligation of the reference entity.
- Upfront payments: upfront payments are made at initiation of the trade. It incorporates the difference between the traded level and the index coupon, as well as accrued interest.
- Order size: A minimum order size can be defined at the time of order entry.
- Clearing House: ICE and LCH. The choice of clearing house is determined at the time of order entry and is based on qualification of each participant's clearing firm.

For more information on these instruments, including detailed specifications, please see <http://www.markit.com/HYandIG>, <http://www.markit.com/EM>, <http://www.markit.com/HYandIG> and <http://www.markit.com/iTraxxEM>.

Additionally, please see clearable contract definitions at <https://www.theice.com/cdx>.

## Rule 802(2) — Credit Derivatives Tranches

Some of the credit indices are also available in a tranching format, which allows investors to gain exposure on a particular portion of the index loss distribution. Tranches are defined by attachment and detachment points. Defaults affect the tranches according to the seniority of the tranche in the capital structure.

Indices	Tranches
CDX.NA.HY	0-10, 10-15, 15-25, 25-35, 35-100
CDX.NA.IG	0-3, 3-7, 7-15, 15-100
iTraxx Europe	0-3, 3-6, 6-9, 9-12, 12-22, 22-100
iTraxx Europe Crossover	0-10, 10-15, 15-25, 25-35, 35-100
iTraxx Europe Japan	0-3, 3-6, 6-9, 9-12, 12-22
iTraxx Asia	0-3, 3-6, 6-9, 9-12, 12-22
iTraxx Australia	0-3, 3-6, 6-9, 9-12, 12-22
LCDX	0-5, 5-8, 8-12, 12-15, 15-100

Currencies
USD
EUR

### *Tranche Mechanics*

The protection buyer of a tranche makes quarterly coupon payments to the protection seller and receives a payment in case there is a credit event in the underlying portfolio. Upfront payments are made at initiation and close of the trade to reflect the change in price. Coupon payments (500bps or 100bps per annum) are made until the notional amount of the tranche gets fully written down due to a series of credit events or until maturity whichever is earlier. Payments are made by the protection seller as long as the losses are greater than the attachment point and less than the detachment point for that tranche. Once the total loss reaches the detachment point, that tranche notional is fully written down. The premium payments are made on the reduced notional after each credit event.

For more information on these instruments, please see <http://www.markit.com/iTraxx>.

## Rule 802(3) — ~~Credit Derivatives Options~~ Reserved

~~A Credit Default Swap Option is an option to buy protection (payer option) or sell protection (receiver option) as a credit default swap on a specific reference credit with a specific maturity. The option is usually European, exercisable only at one date in the future at a specific strike price defined as a coupon on the credit default swap.~~

~~Credit default options on single credits are extinguished upon default without any cash flows, other than the upfront premium paid by the buyer of the option. Therefore buying a payer option is not a good protection against an actual default, only against a rise in the credit spread. This may explain why such options are very illiquid. They may also feature quite high implied volatilities. However options on credit indices such as iTraxx and CDX include any defaulted entities in the intrinsic value of the option when exercised.~~

<b>Index Options</b>
iTraxx Crossover Options
iTraxx Europe Options
iTraxx Financial Senior Options
iTraxx Financial Sub Options
iTraxx Hi Vol Options

<b>Currencies</b>
USD
GBP
EUR
JPY
AUD
CHF
SEK
PLN
TRY

### *Option Specifications*

- ~~Trading conventions~~
  - ~~○ Buyer (payer). This is the party to a CDS option contract where the buyer has the right but not the obligation to buy or sell an underlying asset or instrument at a specified price on or before a specified date.~~
  - ~~○ Seller (Receiver). This is the party to a CDS option contract where the seller has the obligation to sell or buy the underlying asset or instrument, if the owner elects to “exercise” the option prior to expiration.~~
- ~~Swap Leg conventions~~
  - ~~○ Option Style: This determines when, how and under what circumstances, the option holder may exercise its right to buy or sell its options.
    - ~~European European style option contracts may only be exercised at the option’s expiration date. Thus they can never be worth more than an American style option with the same underlying, strike price and expiration date.~~~~

- ~~▪ American—American style option contracts can be exercised at any time up to the option's expiration. Under certain circumstances (see below) early exercise may be advantageous to the option holder.~~
  - Option Exercise Type: This determines what rights the option holder would have if a credit event occurs.
    - ~~▪ Knockout Upon Default~~
      - ~~▪ No Knockout Upon Default~~
  - Earliest Exercise Date
  - Expiration Date—The last day that an options contract is valid, giving the buyer of the option the right to sell or buy the underlying asset or instrument on or before the expiration date.
- Underlying asset or Instrument Conventions
  - Credit Event: Failure to pay, Bankruptcy, Restructuring, Repudiation, Obligation acceleration and obligation default
  - Term/Tenor: Refers to the duration of a Credit Default Swap Index contract. Indices are traded at 3, 5, 7 and 10-year maturities and a new series is determined on the basis of liquidity every 6 months.
  - Maturity Date: Unadjusted date that falls on the 20<sup>th</sup> of Mar, Jun, Sep and Dec
  - Coupon Payments: Each coupon is equal to  $(\text{actual}/360) \cdot (\# \text{ of days in accrual period})$ . The accrual period always stretches from (previous coupon payment date) through (this coupon payment date - 1), inclusive; except a contract's last accrual period, which ends with (and includes) the unadjusted maturity date.
    - ~~▪ Coupon Payment Dates: Business day adjusted date that falls on 20<sup>th</sup> of Mar, Jun, Sep, and Dec and accrue on a Actual/360. The date will be adjusted to the next business day if 20<sup>th</sup> falls on a weekend.~~
      - ~~▪ The first coupon payment date is determined by the trade date, for example:~~

Example (Table 1): Consider a 1y \$36mm 100bp standard CDS traded in Feb09, maturing 20Mar10:

Coupon	Accrual Start	Accrual End	# Days	Payment	Payment Date
1 <sup>st</sup>	Mon 22Dec08	Thu 19Mar09	88	\$88k	Fri 20Mar09
2 <sup>nd</sup>	Fri 20Mar09	Sun 21Jun09	94	\$94k	Mon 22Jun09
3 <sup>rd</sup>	Mon 22Jun09	Sun 20Sep09	91	\$91k	Mon 21Sep09
4 <sup>th</sup>	Mon 21Sep09	Sun 20Dec09	91	\$91k	Mon 21Dec09
5 <sup>th</sup> (final)	Mon 21Dec09	Sat 20Mar10	90	\$90k	Mon 22Mar10

- ~~▪ Coupon Rates: 25bp, 100bp, 500bp, 1000bp~~
  - Upfront payments: upfront payments are made at initiation and close of the trade to reflect the change in price.
- Trade types:
  - Payer (Call): A call is an option contract that gives the owner the right to buy the underlying stock at a specified price (its strike price) for a certain, fixed period (until expiration). For a call option writer or seller, the contract represents an obligation to sell the underlying stock if the option is assigned.
  - Receiver (Put): A put is an option contract that gives the owner the right to sell the underlying stock at a specified price (its strike price) for a certain, fixed period (until



expiration). For the writer or seller of a put option, the contract represents an obligation to buy the underlying stock from the option owner if the option is assigned.

- ~~Settlement: if a credit event occurs then CDS contracts can either be physically settled or cash settled.~~
- ~~○ Physical settlement: The protection seller pays the buyer par value, and in return takes delivery of a debt obligation of the reference entity.~~
- ~~○ Cash settlement: The protection seller pays the buyer the difference between par value and the market price of a debt obligation of the reference entity.~~
- ~~Order size: A minimum order size can be defined at the time of order entry.~~
- ~~Strike Price: The strike price is the price at which an option holder can purchase (call) or sell (put) the underlying stock, sometimes called striking price, strike or exercise price.~~
- ~~Clearing House: ICE and LCH. The choice of clearing house is determined at the time of order entry and is based on qualification of each participant's clearing firm.~~

For more information on these instruments, please see <http://www.markit.com/iTraxx>.

## Rule 802(4) — IOS Index Credit Default Swaps

Contract Specification	Details
Product Description	An agreement to buy or sell protection on a synthetic total return swap index of 30-year, fixed-rate Fannie Mae mortgage pools.
Index Name	Markit IOS Index
Quotation	Contract prices are quoted in dollars and cents per contract.
Units of Trading	Contract(s)
Expiration Date	Trading shall cease at the end of the last day of the contract designated settlement period.
Settlement	<p>Contingent payment - Payments related to credit event settlement will be determined pursuant to the 2009 ISDA Credit Derivatives Determination Committees and Auction Settlement Supplement, (i.e., the Big Bang Protocol).</p> <p>Fixed Quarterly cash payments - reflected in basis points and paid by the protection buyer to the protection seller.</p> <p>Upfront fee payment - The upfront fee is a portion of the payments, expressed in percentage points of the notional, which is present valued and paid immediately to the seller.</p>
Swap Conventions	Fixed coupon payments are calculated at a spread of 100 bps and exchanged on a quarterly basis.
Minimum Price Fluctuation/Price Tick Size	As agreed to by the parties.
Contract Size	As agreed to by the parties
Effective Date	As agreed to by the parties.
Maturity Date	As agreed to by the parties. The Maturity Date may also be referred to as the Termination Date or End Date.
Tenor	The duration of the time from the Effective Date to the Maturity Date.
Trade Types	IOS Index CDS can be traded as one of the following trade type: <ul style="list-style-type: none"><li>a) Outright</li><li>b) Roll trades</li><li>c) Curve trades</li></ul>
Last Trading Day	As agreed to by the parties.

Contract Specification	Details
Trading Months	All months.
Trading Hours	00:01 – 24:00 (ET) Sunday to Friday
Trading Conventions	<ul style="list-style-type: none"> <li>a) Buy = Buy protection. The buyer pays a premium to the seller in case of a credit event occurring. Credit events include bankruptcy and failure to pay.</li> <li>b) Sell = Sell protection. The seller of protection receives the premium payments from the protection buyer. The seller owns the credit risk of the instrument.</li> </ul>
	Investment grade indices are traded on spread.
Speculative Limits	No speculative limits are currently required.
Reportable Levels	No reportable levels are currently applicable.

## Rule 802(5) — iBoxx Total Return Swaps

Contract Specification	Details
Product Description	<p>The Contract is a total return swap where one party (the “Buyer”) is obliged to pay a predetermined set rate, fixed or variable, to the other party (the “Seller”) in exchange for the notional-based return performance of one of the following indices:</p> <p>Markit iBoxx EUR Corporates Markit iBoxx EUR Liquid HY Markit iBoxx GBP Corporates Markit iBoxx USD Domestic Corporates Markit iBoxx USD Liquid HY</p>
Quotation	As agreed to between the parties.
Units of Trading	Contract(s)
Expiration Date	Trading shall cease at the end of the last day of the contract designated settlement period.
Settlement Terms	<p>Cash settled.</p> <p>a) Buyer (Payer): receives appreciation and income of the index; pays depreciation of, if any, the index; pays a fixed rate of interest of a rate of interest plus a differential on the underlying notional amount of the contract, as agreed to between the parties.</p> <p>b) Seller (Receiver): pays appreciation and income of the index; receives depreciation of, if any, the index; receives a fixed rate of interest or a rate of interest plus a differential on the underlying notional amount of the contract, as agreed to between the parties.</p>
Minimum Price Fluctuation/Price Tick Size	As agreed to between the parties.
Settlement Price	The settlement price will be the price agreed at the commencement of the contract, measured in increments of the applicable minimum price fluctuation.
Contract Size	1 contract, incremental size is 1 contract.
Effective Date	As agreed to between the parties.
Maturity Date	The Maturity Date may also be referred to as the Termination Date or End Date; as agreed to between the parties.
Tenor	The duration of the time from the Effective Date to the Maturity Date; as agreed to between the parties.
Trade Types	Contracts can be traded as one of the following trade type:

Contract Specification	Details
	<ul style="list-style-type: none"> <li>a) Outright</li> <li>b) Spread (calendar and/or between indices)</li> </ul>
Last Trading Day	Trading terminates at the close of business on the last business day of each contract month.
Trading Months	All months.
Trading Hours	07:00 – 16:00 (ET) Monday to Friday
Swap Leg Conventions	<ul style="list-style-type: none"> <li>a) Payment Frequency: Monthly, Quarterly, Semi-Annually, or Annually</li> <li>b) Holiday Calendar: New York and London</li> <li>c) Business Day Convention: Modified Following.</li> <li>d) Business Days: If settlement is in GBP or EUR, London and TARGET2, and if USD, New York.</li> <li>d) Set Rate: The agreed rate of the product traded.</li> </ul>
Speculative Limits	No speculative limits are currently required.
Reportable Levels	No reportable levels are currently applicable.

## Rule 802(6) — iBoxx Liquid Leveraged Loans Total Return Swaps

Contract Specification	Details
Product Description	The Contract is a total return swap where one party (the “Buyer”) is obliged to pay a predetermined set rate, fixed or variable, to the other party (the “Seller”) in exchange for the notional-based return performance of the Markit iBoxx USD Liquid Leveraged Loans Index.
Quotation	As agreed to between the parties.
Units of Trading	Contract(s)
Expiration Date	Trading shall cease at the end of the last day of the contract designated settlement period.
Settlement Terms	Cash settled.  a) Buyer (Payer): receives appreciation and income of the index; pays depreciation of, if any, the index; pays a fixed rate of interest of a rate of interest plus a differential on the underlying notional amount of the contract, as agreed to between the parties.  b) Seller (Receiver): pays appreciation and income of the index; receives depreciation of, if any, the index; receives a fixed rate of interest or a rate of interest plus a differential on the underlying notional amount of the contract, as agreed to between the parties.
Minimum Price Fluctuation/Price Tick Size	As agreed to between the parties.
Settlement Price	The settlement price will be the price agreed at the commencement of the contract, measured in increments of the applicable minimum price fluctuation.
Contract Size	1 contract, incremental size is 1 contract.
Effective Date	As agreed to between the parties.
Maturity Date	The Maturity Date may also be referred to as the Termination Date or End Date; as agreed to between the parties.
Tenor	The duration of the time from the Effective Date to the Maturity Date; as agreed to between the parties.
Trade Types	Contracts can be traded as one of the following trade type:  a) Outright b) Spread (calendar and/or between indices)
Last Trading Day	Trading terminates at the close of business on the last business day of each contract month.
Trading Months	All months.
Trading Hours	07:00 – 16:00 (ET) Monday to Friday

Contract Specification	Details
Swap Leg Conventions	<ul style="list-style-type: none"> <li>a) Payment Frequency: Monthly, Quarterly, Semi-Annually, or Annually</li> <li>b) Holiday Calendar: New York and London</li> <li>c) Business Day Convention: Modified Following.</li> <li>d) Business Days: If settlement is in GBP or EUR, London and TARGET2, and if USD, New York.</li> <li>d) Set Rate: The agreed rate of the product traded.</li> </ul>
Speculative Limits	No speculative limits are currently required.
Reportable Levels	No reportable levels are currently applicable.