

October 6, 2014

BY ELECTRONIC MAIL: submissions@cftc.gov

Melissa Jurgens
Office of the Secretariat
Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st Street, N.W.
Washington, D.C. 20581

**Re: Commission Regulation 40.2(a) –
Certification of BRL Non-Deliverable Forward Contracts**

Dear Ms. Jurgens:

LatAm SEF, LLC (“LatAm SEF”) hereby notifies the Commodity Futures Trading Commission (the “Commission”), pursuant to Commission Regulation 40.2(a), that it is certifying BRL non-deliverable forward contracts (an “NDF”) for trading on LatAm SEF’s electronic trading system (the “Trading System”).

LatAm SEF will list the NDF no earlier than October 8, 2014.

This submission letter contains the following attachments:

- The submission cover sheet.
- Attached as Exhibit A, a copy of the NDFs’ rules, which includes a concise explanation and analysis of the NDF. The NDFs’ rules will be published as contract specifications on LatAm SEF’s website concurrently with this submission.
- Attached as Exhibit B, a concise explanation and analysis of the NDFs’ compliance with applicable provisions of the Commodity Exchange Act (the “CEA”), including the Core Principles, and the Commission’s Regulations thereunder.
- Attached as Exhibit C, a list of exchange rate sources for each reference currency.

LatAm SEF certifies that the NDF complies with the CEA and Commission Regulations thereunder. LatAm SEF additionally certifies that it has concurrently posted a copy of this submission letter and attachments hereto on LatAm SEF’s website.

* * *

In the event that you have questions, please contact the undersigned at (646) 344-3267 or sarmstrong@latamsef.com.

Sincerely,



Sandra Armstrong
Chief Compliance Officer
LatAm SEF, LLC

Attachments

Exhibit A

LatAm SEF Product Specifications: BRL Non-Deliverable Forwards

A non-deliverable forward (NDF) is a contract in which the counterparties settle the difference between an exchange rate and a spot rate applied to a notional amount. An NDF involves no physical transfer of the principle amount in the transaction. The contract is agreed on the basis that net settlement will be made in USD, or another fully convertible currency, to reflect any differential between the agreed exchange rate and the actual spot rate on the agreed forward date. It is a cash-settled outright forward.

To determine the spot value, a spot rate fixing methodology is specified at trade inception. The spot rate fixing methodology dictates how the fixing spot rate is determined on the fixing date, which is normally two working days before settlement. The fixing spot rate is based on the reference page on either Reuters or Bloomberg.

Contract Overview	An NDF is a forward contract in which the counterparties settle the difference between the NDF price or rate and the prevailing spot price or rate on an agreed upon notional amount.
Reference Currency	Non-deliverable currency: <ul style="list-style-type: none"> • BRL – Brazilian Real
Settlement Currency	<ul style="list-style-type: none"> • AUD – Australian Dollar • EUR – Euro • GBP – British Pound Sterling • JPY – Japanese Yen • MXN – Mexican Peso • NZD – New Zealand Dollar • USD – US Dollar
Notional Currency	Currency in which the contract size is expressed.
Trade Date	The date on which the counterparties enter into the contract.
Quoting Convention and Minimum Increment	Notional amount, agreed by the counterparties.
Notional Size	Notional amount, agreed by the counterparties.
Trading Conventions	“Buy” or “Sell” cited in terms of the reference currency and the contract size as expressed in notional currency.
Forward Rate	Currency Exchange Rate agreed on the transaction date. Expressed as the amount of Reference Currency per unit of Settlement Currency.
Settlement Date	The date on which the difference is paid or received, usually 1 or 2 business days after the Fixing Date.
Fixing Date	The date on which the difference between the prevailing market exchange rate and the agreed forward exchange rate is calculated.
Settlement Procedure	Bilateral settlement performed in settlement currency.
Trading Hours	00:01 - 24:00 Sunday-Friday Eastern Time
Clearing Venue	Bilateral
Block Size	As set forth in Appendix F to Part 43 of the CFTC Regulations.
Speculative Limits	As set in Part 151 of the CFTC Regulations
Reportable Levels	As set in CFTC Regulation 15.03

Exhibit B

Compliance with CEA Provisions and CFTC Regulations

LatAm SEF has determined that the NDFs certified herein bear upon the following Core Principles:

Core Principle 2 – Compliance with Rules

Trading in NDFs will be subject to the LatAm SEF Rulebook (the “Rules”), which prohibits abusive trading practices and other illicit behavior, including misuse of the Trading System (Rule 705), conduct that is inconsistent with just and equitable principles of trade (Rule 704), fraudulent acts (Rule 707), fictitious transactions (Rule 707), market manipulation (Rule 707), disruptive trading practices (Rule 707), misstatements (Rule 707), wash sales (Rule 707), pre-negotiated or non-competitive trades, including money passes (Rule 707) and improper cross-trading (Rule 707). Trading in these swaps will also be subject to Rules relating to protection of customers. See Chapter 7 of the Rules.

As with all swaps listed for trading on the Trading System, trading activity in NDFs will be subject to monitoring and surveillance by LatAm SEF’s Market Operations and Compliance Departments. LatAm SEF has the authority to exercise its investigatory and enforcement power where potential Rule violations are identified. See Chapter 8 of the Rules.

Pursuant to Rule 510, each NDF executed as a block trade must be for the quantity that is equal to or in excess of the applicable minimum block size for such NDF set forth in Commission Regulations.

Core Principle 3 – Swaps Not Readily Susceptible to Manipulation

The reference price for BRL NDFs is calculated by the Central Bank of Brazil. See Exhibit C. The reference price is not readily susceptible to manipulation because it has the following characteristics: (i) it is derived from a cash market that has considerable depth and liquidity resulting from the involvement of numerous institutional participants; (ii) the way in which the reference price is calculated is well documented and well understood by swap market participants; (iii) it is commonly used in the swap markets; (iv) information about the reference price is publicly and readily available; (v) the reference price is administered and published by a reputable organization; and (vi) many active participants in the relevant cash market are entities that are subject to regulation.

Core Principle 4 – Monitoring of Trading and Trade Processing

Chapter 7 of the Rules prohibits traders from manipulating, distorting the price of, and disrupting the cash settlement process of the Swaps. Such Rules are enforced by the Compliance Department.

Core Principle 5 – Ability to Obtain Information

Pursuant to the Rules, LatAm SEF will have the ability and authority to obtain sufficient information for each NDF to allow LatAm SEF to fully perform its operational, risk management, governance and regulatory functions and requirements under Part 37 of Commission Regulations.

Core Principle 6 – Position Limits or Accountability

Rule 708 allows LatAm SEF to adopt position limits or position accountability levels for swaps listed on the Trading System. Pursuant to Rule 708(3), LatAm SEF will not set position accountability levels for the NDFs listed in this filing because the NDFs are not subject to the trade execution requirement in Section 2(h)(8) of the CEA.

Core Principle 7 – Financial Integrity of Transactions

All swaps that are required to be cleared pursuant to Section 2(h) of the CEA or that are voluntarily cleared by the counterparties will be submitted for clearing through a DCO. See Rule 601.

Core Principle 9 – Timely Publication of Trading Information

In accordance with Part 16 of Commission Regulations, LatAm SEF will publish daily information on its website regarding volume, price ranges, open interest and settlement prices (based on non-cancelled bids, non-cancelled offers, and sales). LatAm SEF will also publish on its website on a daily basis the total quantity of block trades that are included in the total volume of trading. Information on settlement prices and open interest shall be provided, as applicable, by the relevant DCO. See Rule 413.

LatAm SEF will submit electronic reports of all required swap creation data for each swap to a registered swap data repository immediately following execution of such swap. See Rule 903. All such reports will meet the standards set out in Commission Regulation 45.3, including the requirement to produce a unique swap identifier for each transaction. LatAm SEF will also issue confirmations of transactions pursuant to Rule 515.

Exhibit C

Exchange Rate Sources

Currency	Primary Fixing Source	Description	Secondary Fixing Source	Description
Brazilian Real (BRL)	Central Bank of Brazil	<p>The BRL PTAX rate is calculated based on the average of 4 surveys of a list of spot dealers conducted by the Central Bank of Brazil. The surveys are conducted at 10 AM, 11 AM, 12 PM and 1 PM. The official rate is released at 1:05 PM São Paulo Time (five minutes after the final survey).</p> <p>This rate quotation appears on the Central Bank of Brazil website, http://www4.bcb.gov.br and is published on Bloomberg pages "BZFXPINT Index."</p>	EMTA BRL Indicative Survey Rate	<p>The EMTA BRL Industry Survey rate resulting from the EMTA BRL Industry Survey Rate Methodology dated as of March 1, 2004, is a back-up rate quotation service to be initiated at the request of EMTA members in the event the primary rate quotation is not available due to a market disruption.</p>