SUBMISSION COVER SHEET

Registered Entity Identifier Code (optional): 2014-P-41 **Date: November 19, 2014**

***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 "Commodities – Options Iron Ore Contract" are attached as Attachment A.

DESCRIPTION

In accordance with Commodity Futures Trading Commission ("Commission") Regulation § 40.2(a), this is a submission, by Bloomberg SEF LLC ("BSEF"), for certification of a new product for trading – the "Commodities – Options Iron Ore Contract" ("Contract").

1. The Contract's terms and conditions are attached as Attachment A.

2. The intended listing date is November 21, 2014.

3. Attached, please find a certification that: (a) the Contract complies with the Act and the Commission regulations thereunder; and (b) concurrent with this submission, BSEF posted on its website: (i) a notice of pending certification of this Contract with the Commission; and (ii) a copy of this submission.

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

As required by Commission Regulation § 40.2(a), the following analysis, in the form of narrative and explanatory charts, demonstrates that the Contract is consistent with the requirements of the Act and the Commission regulations and policies thereunder (in particular, Appendix B to Part 37 and Appendix C to Part 38, respectively).

Appendix B to Part 37—Demonstration of Compliance That a Contract Is Not Readily Susceptible to Manipulation

Core Principle 3 of Section 5h of the Act—Swaps Not Readily Susceptible to Manipulation. The swap execution facility shall permit trading only in swaps that are not readily susceptible to manipulation.

(a) Guidance.

(1) In general, a swap contract is an agreement to exchange a series of cash flows over a period of time based on some reference price, which could be a single price, such as an absolute level or a differential, or a price index calculated based on multiple observations. Moreover, such a reference price may be reported by the swap execution facility itself or by an independent third counterparty. When listing a swap for trading, a swap execution facility shall ensure a swap's compliance with Core Principle 3, paying special attention to the reference price used to determine the cash flow exchanges. Specifically, Core Principle 3 requires that the reference price used by a swap not be readily susceptible to manipulation. As a result, when identifying a reference price, a swap execution facility should either: Calculate its own reference price using suitable and well-established acceptable methods or carefully select a reliable third-party index.

(2) The importance of the reference price's suitability for a given swap is similar to that of the final settlement price for a cash-settled futures contract. If the final settlement price is

manipulated, then the futures contract does not serve its intended price discovery and risk management functions. Similarly, inappropriate reference prices cause the cash flows between the buyer and seller to differ from the proper amounts, thus benefitting one counterparty and disadvantaging the other. Thus, careful consideration should be given to the potential for manipulation or distortion of the reference price.

Reference Price Not Readily Susceptible to Manipulation

This Contract, a commodity option, is a cash-settled agreement between two counterparties whereby one counterparty agrees, in exchange for a cash premium, to offer another counterparty the right but not obligation to pay or receive a fixed pre-agreed strike price per unit of a commodity and conversely to receive or pay the floating current market price per unit of a commodity on a given specific future date. The floating market price per unit of the commodity is based on the notional quantity traded and the price of an applicable futures contract over a calculation period of a given reference commodity. As such, the reference price for the Contract is the price of the applicable futures contract. The source for the futures contract price will be the prices published by the respective exchanges (see below): London Metal Exchange, BM&F Bovespa, and the CME Group. This price is not readily susceptible to manipulation since, as the exchanges are self-regulatory organizations ("SROs"), futures data from these sites is reliable, widely-accepted, and publicly available.

(3) For swaps that are settled by physical delivery or by cash settlement refer to the guidance in appendix C to part 38 of this chapter—Demonstration of Compliance That a Contract is not Readily Susceptible to Manipulation, section b(2) and section c(4), respectively.

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

(c) Futures Contracts Settled by Cash Settlement. (1) Cash settlement is a method of settling certain futures or option contracts whereby, at contract expiration, the contract is settled by cash payment in lieu of physical delivery of the commodity or instrument underlying the contract. An acceptable specification of the cash settlement price for commodity futures and option contracts would include rules that fully describe the essential economic characteristics of the underlying commodity (e.g., grade, quality, weight, class, growth, issuer, maturity, source, rating, description of the underlying index and index's calculation methodology, etc.), as well as how the final settlement price is calculated. In addition, the rules should clearly specify the trading months and hours of trading, the last trading day, contract size, minimum price change (tick size) and any limitations on price movements (e.g., price limits or trading halts).

Essential Economic Characteristics of the Contract

Terms

The terms and conditions of the Contract are in Attachment A, including:

Contract Overview	A **commodity option** contract is a cash settled agreement between two counterparties whereby one counterparty agrees, in exchange for a cash premium, to offer another counterparty the right but not obligation to pay or receive a fixed pre-agreed strike price per unit of a commodity and conversely to receive or pay the floating current market price per unit of a commodity on a given specific future date. The floating market price per unit of the commodity is based on the notional quantity traded and the price of an applicable futures contract over a calculation period of a given reference commodity.
Trade Date	The date on which parties enter into the contract
Option Style	American / European / APO • A **European option** may be exercised only at the **expiration date** of the option, i.e. at a single pre-defined point in time. • An **American option** on the other hand may be exercised at **any** time before the expiration date. • An **Average Price Option (APO) (also known as an average value or "Asian" option)** may only be exercised at the **expiration date** at the end of the **Calculation Period** of the option
Option Type	Put/ Call • Call option – the right to pay a fixed price per unit of a commodity and receive the floating market price per unit of the commodity over the period • Put option – the right to receive a fixed price per unit of a commodity and pay the floating market price per unit of the commodity over the period
Option Side	Buy or Sell, which refers to whether or not the option premium is paid (buy) or received (sell).
Reference Commodities	• Iron Ore
Contracts on Reference Commodities	• NYMEX Iron Ore
Calculation Period	A single date or date range over which the reference price of the commodity will be calculated. If a date range the reference price will be averaged across all days.
Strike Price	Agreed upon inception of the contract. The fixed price per unit of the underlying commodity at which the investor can exercise an option.
Expiration Date	Date at which option contract expires
Expiration Time	Time at which option contract expires
Settlement Date	Settlement date of the option contract
Premium	Premium amount expressed in premium currency
Premium currency	Currency in which payments are made between the two counterparties: • USD

	• EUR • GBP • CAN • JPY • CHF • BRL • PLN • SEK • KRW
Premium Date	Date on which premium amount is due
Quoting Convention and Minimum Increment	Notional amount of the underlying commodity. Examples include barrels, metric tons, bushels, MMBTUs, etc.
Minimum Size	Notional amount, as agreed by counterparties
Notional Unit	Unit in which contract size on Reference Commodities is expressed in, i.e. barrels, metric tons, bushels, MMBTUs, etc.
Settlement Procedure	Bilateral settlement performed in settlement currency
Settlement Currency	Currency in which the settlement payment is made • USD • EUR • GBP • CAN • JPY • CHF • BRL • PLN • SEK • KRW
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

As described above, this is a commodity option contract in which one counterparty agrees, in exchange for a cash premium, to offer another counterparty the right but not obligation to pay or receive a fixed pre-agreed strike price per unit of a commodity (see list above and in Attachment A) and conversely to receive or pay the floating current market price per unit of a commodity (see list above and in Attachment A) on a given specific future date. This Contract has several flexible terms. For instance, counterparties are able to choose the commodities on which to base the Contract, from a list of commodities (see above and Attachment A). Counterparties are also able to choose the currency (from a list of currencies above and in Attachment A) on which the notional value and the settlement value, respectively, will be based. Moreover, counterparties are able to choose whether the floating price will be the price of the futures contract on a single date or the average price over a specified date range. (If the counterparties choose the latter, the price would be averaged across all of the days.) Other flexible terms include the Contract's: notional amount, settlement currency, minimum size, and settlement date. The trading hours, however, are fixed at twenty-four hours, Sunday – Friday (ET). The Contract is not readily susceptible to manipulation because, though the Contract has many flexible terms, all of the essential terms, except for the floating price, are agreed upon at the start of the Contract. And, as noted above, the floating price is based on the price of the futures contract which is available through the respective exchanges – reliable and widely accepted sources.

Contract Not Readily Susceptible to Manipulation

The Contract is not susceptible to manipulation for a number of reasons. First, as noted above, all of the essential terms of the Contract are agreed upon at the start of the Contract and remain static throughout the life of the swap, except for the floating price. And, as noted, the floating price is based on the price of the applicable futures contract, which is available directly from the respective exchanges – reliable and widely accepted sources. Second, as indicated by volume data for futures contracts on the respective products, [1] the underlying markets are very liquid – making manipulation very difficult to achieve. Also, BSEF has a robust market surveillance program that is effectively able to surveil this market, detect uncommon activity, and investigate any such activity for signs of manipulation.

Calculation of Cash Settlement Price

The cash settlement price must be calculated if the holder of the option instruments the counterparty that he wishes to exercise the option. As described above, the cash settlement price will be calculated thusly:

(a) On the last day of the calculation period – which could be either a single date or the last day of a date range, depending on the determination of the counterparties – the floating price will be determined based on the price of the futures contract for the reference commodity, typically the closing price. If the counterparties choose to use a date range, the average across all of the days in the range will be used.
(b) The counterparties will then calculate the difference between the fixed price on the reference commodity (strike price of the option determined at the start of the Contract) and the floating price, and multiply that difference by the notional amount based on the notional currency that the counterparties designated at the start of the Contract.
(c) On the settlement date, which is also designated at the start of the Contract, the counterparties will exchange payment amounts (which can be netted) in the settlement currency, on which they agreed at the start of the Contract.

This method of cash settlement is consistent with the customary practice of cash-settling commodity options contracts in the market.

[1] NYMEX/COMEX commodities (year-to-date 2014 / October 2014) NYMEX Iron Ore – futures 13,061 / 1,686.

2) Cash settled contracts may be susceptible to manipulation or price distortion. In evaluating the susceptibility of a cash-settled contract to manipulation, a designated contract market should consider the size and liquidity of the cash market that underlies the listed contract in a manner that follows the determination of deliverable supply as noted above in (b)(1). In particular, situations susceptible to manipulation include those in which the volume of cash market transactions and/or the number of participants contacted in determining the cash-settlement price are very low. Cash-settled contracts may create an incentive to manipulate or artificially influence the data from which the cash-settlement price is derived or to exert undue influence on the cash-settlement price's computation in order to profit on a futures position in that commodity.

The utility of a cash-settled contract for risk management and price discovery would be significantly impaired if the cash settlement price is not a reliable or robust indicator of the value of the underlying commodity or instrument. Accordingly, careful consideration should be given to the potential for manipulation or distortion of the cash settlement price, as well as the reliability of that price as an indicator of cash market values. Appropriate consideration also should be given to the commercial acceptability, public availability, and timeliness of the price series that is used to calculate the cash settlement price. Documentation demonstrating that the settlement price index is a reliable indicator of market values and conditions and is commonly used as a reference index by industry/market agents should be provided. Such documentation may take on various forms, including carefully documented interview results with knowledgeable agents.

As noted above, the Contract operates in liquid commodity markets with many participants. Also, as noted above, the cash settlement price is not easily susceptible to manipulation or distortion as the method of determining the price is based on (a) factors that are fixed at the start of the contract, and (b) a reliable reference price.

(3) Where an independent, private-sector third counterparty calculates the cash settlement price series, a designated contract market should consider the need for a licensing agreement that will ensure the designated contract market's rights to the use of the price series to settle the listed contract.

(i) Where an independent, private-sector third counterparty calculates the cash settlement price series, the designated contract market should verify that the third counterparty utilizes business practices that minimize the opportunity or incentive to manipulate the cash-settlement price series. Such safeguards may include lock-downs, prohibitions against derivatives trading by employees, or public dissemination of the names of sources and the price quotes they provide. Because a cash-settled contract may create an incentive to manipulate or artificially influence the underlying market from which the cash-settlement price is derived or to exert undue influence on the cash-settlement computation in order to profit on a futures position in that commodity, a designated contract market should, whenever practicable, enter into an information-sharing agreement with the third-party provider which would enable the designated contract market to better detect and prevent manipulative behavior.

As the information on the price of futures contracts is publicly available, a licensing agreement is not necessary. Moreover, as the exchanges are SROs, they have robust provisions in place to prevent market manipulation, including comprehensive surveillance and continual oversight of their employees.

(ii) Where a designated contract market itself generates the cash settlement price series, the designated contract market should establish calculation procedures that safeguard against potential attempts to artificially influence the price. For example, if the cash settlement price is derived by the designated contract market based on a survey of cash market sources, the designated contract market should maintain a list of such entities which all should be reputable sources with knowledge of the cash market. In addition, the sample of sources polled should be representative of the cash market, and the poll should be conducted at a time when trading in the cash market is active.

Please see above regarding the calculation of the cash settlement price.

(iii) The cash-settlement calculation should involve computational procedures that eliminate or reduce the impact of potentially unrepresentative data.

(iv) The cash settlement price should be an accurate and reliable indicator of prices in the underlying cash market. The cash settlement price also should be acceptable to commercial users of the commodity contract. The registered entity should fully document that the settlement price is accurate, reliable, highly regarded by industry/market agents, and fully reflects the economic and commercial conditions of the relevant designated contract market.

Please see above regarding the calculation of the cash settlement price.

(v) To the extent possible, the cash settlement price should be based on cash price series that are publicly available and available on a timely basis for purposes of calculating the cash settlement price at the expiration of a commodity contract. A designated contract market should make the final cash settlement price and any other supporting information that is appropriate for release to the public, available to the public when cash settlement is accomplished by the derivatives clearing organization. If the cash settlement price is based on cash prices that are obtained from non-public sources (e.g., cash market surveys conducted by the designated contract market or by third counterparties on behalf of the designated contract market), a designated contract market should make available to the public as soon as possible after a contract month's expiration the final cash settlement price as well as any other supporting information that is appropriate or feasible to make available to the public.

Please see above regarding the calculation of the cash settlement price. The cash settlement price is publicly available on exchanges' websites.

(4) Contract terms and conditions requirements for futures contracts settled by cash settlement.

(i) An acceptable specification of the terms and conditions of a cash-settled commodity contract will also set forth the trading months, last trading day, contract size, minimum price change (tick size) and daily price limits, if any.

As described above, the contract terms are attached as Attachment A. As noted above, while there are common terms such as the trading hours, many of the terms are flexible. Nevertheless, the terms are all within commonly accepted market norms.

(A) Commodity Characteristics: The terms and conditions of a commodity contract should describe the commodity underlying the contract.

The terms and conditions of the Contract specifically list the commodities on which counterparties can choose to base the Contract.

(B) Contract Size and Trading Unit: An acceptable specification of the trading unit would be a contract size that is consistent with customary transactions in the cash market. A designated contract market may opt to set the contract size smaller than that of standard cash market transactions.

The size of the Contract is as determined by the counterparties, which is consistent with customary transactions in the market.

(C) Cash Settlement Procedure: The cash settlement price should be reliable, acceptable, publicly available, and reported in a timely manner as described in paragraphs (c)(3)(iv) and (c)(3)(v) of this appendix C.

The cash settlement procedure and an explanation of how it is not readily susceptible to manipulation, is described above.

(D) Pricing Basis and Minimum Price Fluctuation (Minimum Tick): The minimum price increment (tick) should be set a level that is equal to, or less than, the minimum price increment commonly observed in cash market transactions for the underlying commodity. Specifying a futures' minimum tick that is greater than the minimum price increment in the cash market can undermine the risk management utility of the futures contract by preventing hedgers from efficiently establishing and liquidating futures positions that are used to hedge anticipated cash market transactions or cash market positions.

As determined by the counterparties.

(E) Maximum Price Fluctuation Limits: Designated contract markets may adopt price limits to: (1) Reduce or constrain price movements in a trading day that may not be reflective of true market conditions but might be caused by traders overreacting to news; (2) Allow additional time for the collection of margins in times of large price movements; and (3) Provide a "cooling-off" period for futures market participants to respond to bona fide changes in market supply and demand fundamentals that would lead to large cash and

futures price changes. If price-limit provisions are adopted, the limits should be set at levels that are not overly restrictive in relation to price movements in the cash market for the commodity underlying the futures contract. For broad-based stock index futures contracts, rules should be adopted that coordinate with New York Stock Exchange ("NYSE") declared Circuit Breaker Trading Halts (or other market coordinated Circuit Breaker mechanism) and would recommence trading in the futures contract only after trading in the majority of the stocks underlying the index has recommenced.

As determined by the counterparties.

(F) Last Trading Day: Specification of the last trading day for expiring contracts should be established such that it occurs before publication of the underlying third-party price index or determination of the final settlement price. If the designated contract market chooses to allow trading to occur through the determination of the final settlement price, then the designated contract market should show that futures trading would not distort the final settlement price calculation.

The last trading day will be the last day of the calculation period, which is set by the individual counterparties.

(G) Trading Months: Trading months should be established based on the risk management needs of commercial entities as well as the availability of price and other data needed to calculate the cash settlement price in the specified months. Specification of the last trading day should take into consideration whether the volume of transactions underlying the cash settlement price would be unduly limited by occurrence of holidays or traditional holiday periods in the cash market. Moreover, a contract should not be listed past the date for which the designated contract market has access to use a proprietary price index for cash settlement.

As noted above, netted payments will be made on the settlement date in accordance with the cash settlement method described above. No payments are made prior to the settlement date.

(H) Speculative Limits: Specific rules and policies for speculative position limits are set forth in part 150 and/or part 151, as applicable, of the Commission's regulations.

BSEF will comply with Parts 150 and 151 of the Commission's regulations.

(I) Reportable Levels: Refer to § 15.03 of the Commission's regulations.

BSEF will adhere to the applicable reporting levels set forth in **§** 15.03 of the Commission's regulations.

(J) Trading Hours: Should be set by the designated contract market to delineate each trading day.

The Contract is traded twenty-four hours a day (00:01 – 24:00), Sunday to Friday (ET).

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 "Commodities – Option Iron Ore Contract" 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: November 19, 2014

<u>Attachment A</u>
Terms and Conditions

[*see attached*]

Commodities:
Commodity Option Iron Ore Contract Specifications

Contract Overview	A **commodity option** contract is a cash settled agreement between two counterparties whereby one counterparty agrees, in exchange for a cash premium, to offer another counterparty the right but not obligation to pay or receive a fixed pre-agreed strike price per unit of a commodity and conversely to receive or pay the floating current market price per unit of a commodity on a given specific future date. The floating market price per unit of the commodity is based on the notional quantity traded and the price of an applicable futures contract over a calculation period of a given reference commodity.
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Option Type	Put/ Call • Call option – the right to pay a fixed price per unit of a commodity and receive the floating market price per unit of the commodity over the period • Put option – the right to receive a fixed price per unit of a commodity and pay the floating market price per unit of the commodity over the period
Option Side	Buy or Sell, which refers to whether or not the option premium is paid (buy) or received (sell). Direction can be specified for either the strip or the underlying striplets.
Reference Commodities	• Iron Ore
Contracts on Reference Commodities	• NYMEX Iron Ore
Calculation Period	A single date or date range over which the reference price of the commodity will be calculated. If a date range the reference price will be averaged across all days.
Strike Price	Agreed upon inception of the contract. The fixed price per unit of the underlying commodity at which the investor can exercise an option.
Expiration Date	Date at which option contract expires
Expiration Time	Time at which option contract expires
Settlement Date	Settlement date of the option contract
Premium	Premium amount expressed in premium currency
Premium currency	Currency in which payments are made between the two counterparties: • USD • EUR • GBP • CAN • JPY • CHF • BRL • PLN • SEK • KRW
Premium Date	Date on which premium amount is due

Quoting Convention and Minimum Increment	Notional amount of the underlying commodity. Examples include barrels, metric tons, bushels, MMBTUs, etc.
Minimum Size	Notional amount, as agreed by counterparties
Notional Unit	Unit in which contract size on Reference Commodities is expressed in, i.e. barrels, metric tons, bushels, MMBTUs, etc.
Settlement Procedure	Bilateral settlement performed in settlement currency
Settlement Currency	Currency in which the settlement payment is made • USD • EUR • GBP • CAN • JPY • CHF • BRL • PLN • SEK • KRW
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