SUBMISSION COVER SHEET

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

Registered Entity Identifier Code (optional): ____________________________

Organization: LatAm SEF, LLC

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

Filing Date (mm/dd/yy): 12/03/2015 **Filing Description:**

Certification of Brazilian Real (BRL) CND Non-Deliverable Interest Rate Swap Contracts

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

Organization Rules and Rule Amendments

- ☐ Certification § 40.6(a)
- ☐ Approval § 40.5(a)
- ☐ Notification § 40.6(d)
- ☐ Advance Notice of SIDCO Rule Change § 40.10(a)
- ☐ SIDCO Emergency Rule Change § 40.10(h)

Rule Numbers: ____________________________

New Product **Please note only ONE product per Submission.**

- ☑ Certification § 40.2(a)
- ☐ Certification Security Futures § 41.23(a)
- ☐ Certification Swap Class § 40.2(d)
- ☐ Approval § 40.3(a)
- ☐ Approval Security Futures § 41.23(b)
- ☐ Novel Derivative Product Notification § 40.12(a)
- ☐ Swap Submission § 39.5

Official Product Name: Brazilian Real (BRL) CND Non-Deliverable Interest Rate Swap Contracts

Product Terms and Conditions (product related Rules and Rule Amendments)

- ☐ Certification § 40.6(a)
- ☐ Certification Made Available to Trade Determination § 40.6(a)
- ☐ Certification Security Futures § 41.24(a)
- ☐ Delisting (No Open Interest) § 40.6(a)
- ☐ Approval § 40.5(a)
- ☐ Approval Made Available to Trade Determination § 40.5(a)
- ☐ Approval Security Futures § 41.24(b)
- ☐ Approval Amendments to enumerated agricultural products § 40.4(a), § 40.5(a)
- ☐ "Non-Material Agricultural Rule Change" § 40.4(b)(5)
- ☐ Notification § 40.6(d)

Official Name(s) of Product(s) Affected: ____________________________

Rule Numbers: ____________________________

December 3, 2015

<u>BY ELECTRONIC MAIL: submissions@cftc.gov</u>

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 Brazilian Real (BRL) CDI Non-Deliverable Interest Rate Swap 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 Brazilian Real CDI Non-Deliverable Interest Rate Swap contracts ("IRS") for trading on LatAm SEF's electronic trading system (the "Trading System").

LatAm SEF will list the IRS no earlier than December 7, 2015.

This submission letter contains the following attachments:

- The submission cover sheet.
- Attached as Exhibit A, a copy of the IRS rules, which includes a concise explanation and analysis of the IRS. The IRS 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 IRS 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 sources for each reference index.

LatAm SEF certifies that the IRS 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,

Saundra Armstrong
Chief Compliance Officer
LatAm SEF, LLC

Attachments

Exhibit A

LatAm SEF Product Specifications:
Brazilian CDI Fixed/Floating Overnight Index Swap

An Interest Rate Swap (IRS) is an agreement between two parties to exchange cash flows of interest payments based on a notional amount. Payments are calculated based on the notional amount and the value of the reference index or indices over a predetermined term until maturity.

LatAm SEF lists the following Brazilian IRS products:

Brazilian CDI Fixed/Floating Overnight Index Swap

The Brazilian CDI Fixed/Floating Overnight Index Swap consists of a fixed leg and a floating leg, each of which pays zero coupon, is quoted in Brazilian Reals, and settled in US Dollars. The reference index rate is the Overnight Brazilian Interbank Deposit Rate Annualized, known as the "CDI" (overnight "Certificado de Deposito Interbanco") rate. This rate is annualized and calculated daily on an exponential 252-business-day basis by the Centre for Custody and Financial Settlement of Securities (CETIP). The Brazilian CDI Fixed/Floating Overnight Index Swap is listed for monthly maturities, with the maturity date always falling on the first business day of the month.

The terms of Brazilian CDI Fixed/Floating Overnight Index Swap are as follows:

Trading Conventions

Fixed-for-Floating:

- Buyer pays fixed interest rate and receives floating interest rate (expects rates to rise).
- Seller pays floating interest rate and receives fixed interest rate (expects rates to fall).

Trade Types

The Trading System may support the following trade types:

- Outrights – An Outright swap is a swap where one party is the payer of the fixed rate and the receiver of the floating rate, and the other party is the receiver of the fixed rate and the payer of the floating rate.
- Spreads – The simultaneous purchase and sale of two different Maturities of the yield curve (e.g. 2-year by 5-year).

Terms

Currency

- BRL – Brazilian Real

Contract Size

Also referred to as "Trade Unit," contract size is specified in Millions BRL.

Minimum Price Change

0.01 Million

Minimum Size

0.01 Million

Effective Date

Also referred to as the “Start Date,” the first date from which floating interest amounts accrue, as determined using Trade Start Type (below). The Effective Date of the Swap must be a business day, subject to the applicable Effective Date Business Days (below).

Effective Date Business Days

Brazil and New York combined. “Brazil Business Day” means a business day in any of São Paulo, Rio de Janeiro or Brasilia not otherwise declared as a financial market holiday by the BM&F (see www.andima.com.br).

Fixing Date

Also referred to as “Valuation Date,” the date on which the values to be exchanged between Buyer and Seller on Settlement Date are calculated. Fixing Date is one Brazil Business Day immediately preceding Maturity Date.

Fixing Date Business Days

Brazil. “Brazil Business Day” means a business day in any of São Paulo, Rio de Janeiro or Brasilia not otherwise declared as a financial market holiday by the BM&F (see www.andima.com.br).

Maturity Date

Also referred to as “Termination Date,” the final date until which Fixed and Floating payment amounts accrue. Maturity date for the Brazilian CDI IRS always falls on the first business day of the month. The Brazilian CDI IRS is listed for monthly maturities, with standard months being January and July.

Maturity Date Business Days

Brazil, subject to Business Day Convention. “Brazil Business Day” means a business day in any of São Paulo, Rio de Janeiro or Brasilia not otherwise declared as a financial market holiday by the BM&F (see www.andima.com.br).

Settlement Date

The date on which transfer of fixed rate payments and floating rate payments are conducted between the Buyer and the Seller. Settlement Date is one business immediately following Maturity Date.

Settlement Date Business Days

Brazil and New York combined, subject to Business Day Convention. “Brazil Business Day” means a business day in any of São Paulo, Rio de Janeiro or Brasilia not otherwise declared as a financial market holiday by the BM&F (see www.andima.com.br).

Trade Start Type

Same Day Starting – A swap whose Effective Date is the same as the Trade Date (T+0).

Day Count Convention

252-Business-Day – Calculation Days / 252. Also referred to as “Fixed Rate Day Count Fraction.”

Calculation Days/Reset Date

Also referred to as “Term,” the number of Brazil Business Days (each such Day, a “Scheduled Reset Date”) from and including Effective Date to, but not including, Maturity Date. “Brazil Business Day” means a business day in any of São Paulo, Rio de Janeiro or Brasilia not otherwise declared as a financial market holiday by the BM&F (see www.andima.com.br).

Business Day Convention

- Following – Payment date is rolled to the next business day for the country currency denoted for the product.

Payment Frequencies

- Zero-coupon – Also referred to as “bullet,” full payment due at swap maturity.

Settlement

Non-Deliverable, with the effect that any Reference Currency amounts payable hereunder on Settlement Date shall be converted into Settlement Currency amounts on the applicable Valuation Date. All payments shall be made in the Settlement Currency on the Settlement Date.

Settlement Price

Settlement price for the exchange of fixed and floating payments is based on the following factors:

- Fixed Rate Payer – Payment amount for the fixed rate payer is based on the notional amount and fixed rate on the Trade Date.
- Floating Rate Payer – Payment amount for the floating rate payer is based on the notional amount on the Trade Date and Interest Rate on each Calculation Date/Reset Date.

Settlement Currency

- USD – United States Dollar

Settlement Exchange Rate

The BRL PTAX (BRL09) spot rate is used to convert BRL Fixed and Floating Amount payments to USD. BRL PTAX is published by Central Bank of Brazil at 1:05 PM São Paulo time on the rate calculation date.

Calculation Agent

As agreed by the parties.

Fixed Rate Payment

Fixed Rate Payer

The Buyer of the swap. Party obligated to make payment on the payment date on the notional accrued using the fixed CDI interest rate on a daily basis from the effective date to the maturity date.

Notional Amount Future Value

An amount in BRL as specified by the parties.

Notional Amount Present Value

An amount in BRL on the Effective Date as implied by the Notional Amount Future Value using the present value formula.

Fixed Rate

Interest rate of the CDI as specified by the parties on the Trade Date.

Fixed Rate Payment Date

Maturity Date.

Floating Rate Payment

Floating Rate Payer

The Seller of the swap. Party obligated to make payment on the payment date on the notional accrued using the floating CDI interest rate on each Reset Date.

Floating Rate

Interest rate of the CDI as determined by the Centre for Custody and Financial Settlement of Securities (CETIP) on each Reset Date (each Brazil Business Day).

Floating Rate Payment Date

Maturity Date.

Reference Index

The Overnight Brazilian Interbank Deposit Rate Annualized, known as the "CDI" (overnight "Certificado de Deposito Interbanco") rate, is the interbank overnight lending rate for Brazil. The rate is calculated by Cetip based on interbank deposits settled in the Cetip depository system as determined by the Central Bank of Brazil. The rate is a weighted average of transactions between members of the DI Over Extra-Group for the previous business day. Full calculation details and formulas are available at: http://estatisticas.cetip.com.br/astec/di_documentos/metodologia1_i1.htm.

The CDI shall be the reference rate for the Reset Date provided that (i) such rate is published not later than 12:00 p.m. on the Brazil Business Day following such Reset Date and (ii) any adjustments made by CETIP to such rate at any time later than the end of the Business Day on such Reset Date shall not be taken into account.

If for any Reset Date there is no published CDI Overnight Rate (including as a result of the proviso above), CDI for the relevant Reset Date will be determined according to the ISDA-EMTA publication, "Recommended EMTA-ISDA Market Practice for BRL CDI Non-Deliverable Interest Rate Swap Transactions" dated March 13, 2009, which recommends:

1. Disruption fallbacks in the event of a failure in the publication of the CDI Rate be included, in the following order:

   (a) the overnight deposit rate published for the relevant date by the Bolsa de Mercadorias & Futuros (BM&F) (see http://www.bmf.com.br/portal/pages/boletim1/bd_manual/indicadoreFinanceiros1.asp),

   (b) agreement of the parties, to be reached in not more than one Brazil Business Day,

   (c) a reference dealer poll, and, ultimately

   (d) Calculation Agent Determination;

2. The CDI Rate applicable for a Reset Date shall be the CDI Rate published by CETIP for such Reset Date, provided however, that

   (i) the publication of such rate for such Reset Date must occur not later than 12:00 pm on the next Brazil Business Day and

   (ii) any adjustments made by CETIP to such rate, if made any time later than the end of the business day on such Reset Date, shall not be taken into account by the parties.

3. Contracts for BRL CDI Swaps should replicate the onshore BMF contract in order to reduce market risk. To implement this approach in a uniform manner for the market, contracts for BRL CDI Swaps shall specify values for present notional amounts (as of the trade date of the contract), future value notional amounts (as of the termination date of the contract) as well as a fixed rate day count fraction that reflects a set number of calculation days for the transactions fixed as at the trade date.

4. Relevant Cities for Business Day for Reset Dates for the CDI Rate be a Brazil Business Day;

5. Relevant Cities for Business Day for BRL / USD Valuation Dates be a (i) Brazil Business Day AND (ii) New York; and

6. Relevant Cities for Business Day for Payment Dates (including the Termination Date) be (i) a Brazil Business Day AND (ii) New York; provided however, that in the event of an Unscheduled Holiday following the Trade Date, then New York only.

Exhibit B

Compliance with CEA Provisions and CFTC Regulations

As required by Commodity Futures Trading Commission ("Commission") Regulation 40.2(a), the following analysis, in narrative form, demonstrates that BRL CDI Non-Deliverable Interest Rate Swap contracts are consistent with the requirements of the Commodity Exchange Act, as amended (the "Act"), and the Commission regulations and guidance thereunder (in particular, Appendix B to Part 37 and Appendix C to Part 38).

Appendix B to Part 37

Core Principle 2 of Section 5h of the Act—Compliance With Rules

A swap execution facility shall:

(A) Establish and enforce compliance with any rule of the swap execution facility, including the terms and conditions of the swaps traded or processed on or through the swap execution facility and any limitation on access to the swap execution facility;

(B) Establish and enforce trading, trade processing, and participation rules that will deter abuses and have the capacity to detect ,investigate, and enforce those rules, including means to provide market participants with impartial access to the market and to capture information that may be used in establishing whether rule violations have occurred;

(C) Establish rules governing the operation of the facility, including rules specifying trading procedures to be used in entering and executing orders traded or posted on the facility, including block trades; and

(D) Provide by its rules that when a swap dealer or major swap participant enters into or facilitates a swap that is subject to the mandatory clearing requirement of section2(h) of the Act, the swap dealer or major swap participant shall be responsible for compliance with the mandatory trading requirement under section 2(h)(8) of the Act.

Trading in the BRL CDI Non-Deliverable Interest Rate Swap 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 the BRL CDI Non-Deliverable Interest Rate Swap 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 the BRL CDI Non-Deliverable Interest Rate Swap 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.

Pursuant to Rule 601, all Participants and Sponsored Access Participants must clear all Swaps that are required to be cleared under Section 2(h)(1) of the CEA and CFTC Regulation § 39.5, provided that an end-user exception is not elected.

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 party. 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 party and disadvantaging the other. Thus, careful consideration should be given to the potential for manipulation or distortion of the reference price.

(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(5), respectively.

The value of payments made for both the fixed leg and the floating leg of the BRL CDI Non-Deliverable Interest Rate Swap is determined primarily by referencing the CDI Overnight Rate, which is consistent with the ISDA-EMTA, "Recommended EMTA-ISDA Market Practice for BRL CDI Non-Deliverable Interest Rate Swap Transactions," as described in detail under "Reference Index," page 5. The CDI Overnight Rate is not readily susceptible to manipulation because it has the following characteristics: (i) it is derived from a market that has considerable depth and liquidity due to the involvement of numerous market 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.

The BRL CDI Non-Deliverable Interest Rate Swap is subject to cash settlement in USD. The non-deliverable feature is a mechanism used to settle cross-currency swap transactions where currency restrictions make delivery of the underlying currencies difficult. The FX reference price for the currency conversion of the settlement price is the BRL PTAX Rate, is published by Central Bank of Brazil. The BRL PTAX Rate is the same rate referenced for the Brazilian NDF and is subject to standard EMTA fallbacks for BRL which are widely accepted in NDF products. The BRL PTAX Rate is not readily susceptible to manipulation because it has the following characteristics: (i) it is derived from a market that has considerable depth and liquidity due to the involvement of numerous market 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.

The BRL CDI Non-Deliverable Interest Rate Swap is not settled by physical delivery.

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

The terms and conditions of the contract are described in Exhibit A.

Final Settlement Price

The cash settlement price is paid in USD. The BRL PTAX (BRL09) spot rate is used to convert BRL Fixed and Floating Amount payments to USD on the Fixing Date. BRL PTAX is published by Central Bank of Brazil at 1:05 PM São Paulo time on the rate calculation date. BRL PTAX is the same rate as is used for calculating a non-deliverable forward. This method of cash settlement is consistent with the customary practice of cash-settling non-deliverable cross-currency swaps in the market.

The interest rate component of the cash settlement price is calculated based on the CDI Overnight Rate, which is described in detail under "Reference Index," page 5, and is consistent with the ISDA-EMTA, "Recommended EMTA-ISDA Market Practice for BRL CDI Non-Deliverable Interest Rate Swap Transactions."

Trading Hours

7:00 AM to 6:00 PM Eastern Time, Monday – Friday.

(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.

The contract is not readily susceptible to manipulation for several reasons. First, the BRL-USD foreign exchange FX reference price for the currency conversion of the settlement price is the BRL PTAX Rate, which is the same rate referenced for the Brazilian NDF, the largest NDF market in the world. This is an extremely liquid market with massive volume, making manipulation very difficult to achieve. Second, the method for calculating the cash settlement price – calculating the difference between the Spot FX Rate and the Contracted NDF Rate – is widely used and generally accepted by market participants. Third, as discussed above, the reference used for the Spot FX Rate is very reliable, widely available, and used by numerous market participants.

(3) Where an independent, private-sector third party 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 party calculates the cash settlement price series, the designated contract market should verify that the third party 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.

Not applicable. BRL PTAX is published by Central Bank of Brazil, which is not a private-sector third party.

(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.

Not applicable. LatAm SEF does not generate the cash settlement price. BRL PTAX is published by Central Bank of Brazil.

(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 answers to previous questions regarding calculation of 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 parties 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.

BRL PTAX is published by Central Bank of Brazil and is publicly available at http://www4.bcb.gov.br.

The final cash settlement price is not determined by a derivatives clearing organization.

Please see answers to previous questions regarding calculation of cash settlement price.

(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.

The terms and conditions of the contract are described in Exhibit A.

(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 in Exhibit A describe the index on which the contract is based.

(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.

Contract size, as described in the terms and conditions of the contract in Exhibit A, is consistent with customary transactions in the cash 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.

Please see answers to previous questions regarding calculation of cash settlement price, reliability and availability.

(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 agreed between the counterparties, the pricing basis is consistent with customary transactions in the market.

The minimum price fluctuation is set at 0.0001 Million, which is less than the minimum price increment of millions that is commonly observed in the market for the swap.

(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 agreed between 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 is the Fixing Date, the date on which the values to be exchanged between Buyer and Seller on Settlement Date are calculated.

(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.

The contract is listed for monthly maturities, with standard maturity months being January and July. Maturity date always falls on the first business day of the month. The contract will be entered into on the Trade Date, the settlement price will be determined on the Fixing Date, and the settlement payments will be made on the Settlement Date. The contract Fixing Date and Settlement Date take into consideration holiday calendars, as described in Exhibit A.

(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.

None required by Parts 150 or 151. LatAm SEF shall comply with Parts 150 and 151 of the Commissions regulations.

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

LatAm SEF 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.

7:00 AM to 6:00 PM Eastern Time, Monday – Friday.

Exhibit C

Exchange Rate Source

Currency	Primary Fixing Source	Description	Secondary Fixing Source	Description
Brazilian Real (BRL)	Central Bank of Brazil	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). This rate quotation appears on the Central Bank of Brazil website, http://www4.bcb.gov.br and is published on Bloomberg pages "BZFXPINT Index."	EMTA BRL Indicative Survey Rate	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.

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CONCLUSION

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