

SUBMISSION COVER SHEET

IMPORTANT: Check box if Confidential Treatment is requested

Registered Entity Identifier Code (optional): 23-338

Organization: NEX SEF Limited ("NEX SEF")

Filing as a: DCM SEF DCO SDR

Please note - only ONE choice allowed.

Filing Date (mm/dd/yy): 10/26/23 Filing Description: Amendments to NEX SEF Rule 901 ("NEX SEF NDF System Protocol") (Form SEF Exhibit M) and the NEX SEF Fee Schedule (Form SEF Exhibit K) in Connection with the Adoption of Tailored Order Book Functionality.

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: See filing.

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

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(c)
- 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:

October 26, 2023

VIA ELECTRONIC PORTAL

Mr. Christopher J. Kirkpatrick
Office of the Secretariat
Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st Street, N.W.
Washington, D.C. 20581

**Re: CFTC Regulation 40.6(a) Certification. Amendments to NEX SEF Rule 901 (“NEX SEF NDF System Protocol”) (Form SEF Exhibit M) and the NEX SEF Fee Schedule (Form SEF Exhibit K) in Connection with the Adoption of Tailored Order Book Functionality.
NEX SEF Submission No. 23-338**

Dear Mr. Kirkpatrick:

NEX SEF Limited (“NEX SEF”) is certifying to the Commodity Futures Trading Commission (“CFTC” or “Commission”) amendments to: (1) NEX SEF Rule 901 (“NEX SEF NDF System Protocol”) and the NEX SEF Fee Schedule and discount program therein to be implemented upon the approval of the UK’s Financial Conduct Authority (collectively, the “Rule Amendments”). This submission shall become effective on November 10, 2023.

Specifically, the Rule Amendments shall:

1. provide for the adoption of an additional “Tailored Order Book” market segment in Rule 901 by amending the Glossary and adding a new subchapter (g), which establishes the eligibility criteria, dealing rules, and matching process for Tailored Order Books. The inclusion of a Tailored Order Book shall afford participants an opportunity to customize a pool of co-participants, tenors, amount increments, price increments, minimum quote life, and market data intervals; and
2. amend the NEX SEF Fee Schedule to: (a) include a specific fee structure for participants utilizing the new Tailored Order Book; and (b) provide an initial 12-month fee discount program for participants utilizing the Tailored Order Book functionality.

NEX SEF reviewed the swap execution facility core principles (“Core Principles”) as set forth in the Commodity Exchange Act (“CEA” or “Act”) and identified that the Rule Amendments may have some bearing on the following Core Principles:

Core Principle 2 – Compliance with Rules: CEA Section 5h(f)(2)(A) requires a swap execution facility to establish and enforce compliance with its rules. The CFTC has implemented this statutory requirement by adopting CFTC Regulation 37.203(a), which requires a swap execution facility to prohibit manipulative or disruptive trading practices prohibited by the CEA or by the Commission pursuant to Commission regulation. The Rule Amendments are subject to all NEX SEF Rules, including the rules on trading procedures set forth in Chapter 3 of its rulebook, the prohibitions against fraudulent, noncompetitive, unfair and abusive practices as outlined in Chapter 4 of its rulebook, and the dispute resolution and arbitration procedures of Chapter 5 of its rulebook. As with all products listed for trading on NEX SEF, trading activity in the Contracts will be subject to monitoring and surveillance by NEX SEF’s market regulation staff, which has the authority to exercise its investigatory and enforcement power where potential rule violations are identified.

Additionally, the Fee Schedule complies with the requirements of impartial access in Core Principle 2 and Commission Regulation 37.202 because all fees and any discounts will be applied in an impartial, fair, and non-discriminatory manner and will be made transparent to all participants. In compliance with Core Principle 2 and Commission Regulation 37.200, the Fee Schedule does not incentivize manipulative trading or market abuse or impact NEX SEF's ability to perform its trade practice and market surveillance obligations under the Act, and Market Regulation staff will continue to monitor trading to prevent manipulative trading and market abuse.

Core Principle 4 – Monitoring of Trading and Trade Processing: CEA Section 5h(f)(4)(A) requires swap execution facility to establish trading procedures to be used in entering and executing orders traded on or through the facilities of the swap execution facility. The Rule Amendments are subject to the NEX SEF rules which include prohibitions on manipulation and price distortion. The fee discount program also complies with the requirements for monitoring and trade processing.

Core Principle 9 – Timely Publication of Trading Information: NEX SEF will continue to publish contract trading volumes and price information daily on its website.

Core Principle 10 - Recordkeeping and Reporting: All required trade information is included in the audit trail and is sufficient for the Market Regulation Department to monitor for market abuse. The fee discount program also complies with the requirements of recordkeeping and reporting. NEX SEF has implemented systems to track the program participants' transactions to ensure proper fee discounts are applied.

Exhibit A, provided under separate cover, provide amendments to the Rule 901 in blackline and format, respectively. Exhibit B, provided under separate cover, provide amendments to the NEX SEF Fee Schedule in blackline and clean format, respectively. NEX SEF is requesting confidential treatment of the Fee Schedule and discount program therein which is being simultaneously submitted to the Commission with this submission.

Pursuant to Section 5c(c) of the CEA and Regulations 37.3(b)(3) and 40.6(a), NEX SEF hereby certifies that the Rule Amendments comply with the Act, as amended, and the Commission's regulations thereunder. There were no substantive opposing views to this proposal.

NEX SEF certifies that this submission has been concurrently posted on the CME Group website at <http://www.cmegroup.com/market-regulation/rule-filings.html>.

If you require any additional information regarding this submission, please contact the undersigned at (312) 466-7478 or via email at CMESubmissionInquiry@cmegroup.com.

Sincerely,

/s/ Timothy Elliott
Managing Director and Chief Regulatory Counsel

Attachments: Exhibit A – NEX SEF Rule 901 (blackline format)
Exhibit B – NEX SEF Fee Schedule (blackline format) (confidential treatment requested)

Exhibit A

**NEX SEF Rulebook
Amendments to Rule 901 (“NEX SEF NDF System Protocol”)**

(blackline format)
(provided under a separate cover)

Exhibit B

NEX SEF Fee Schedule

(blackline format)
(provided under a separate cover)

(CONFIDENTIAL TREATMENT REQUESTED)