

# RTX FINTECH & RESEARCH LLC

## Swap Execution Facility

RTX Fintech & Research LLC, 90 Broad St, Ste 402, New York, NY 10004

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Christopher J. Kirkpatrick  
Secretary of the Commission  
Commodity Futures Trading Commission

November 7, 2023

### Self-Certification of Rule Under § 40.6(a): Liquidity-Provider Program ("23\_LP01")

Dear Secretary Kirkpatrick:

RTX Fintech & Research LLC (RTX SEF) intends to implement a liquidity-provider program under 17 CFR § 40.6(a) on November 22, 2023. Under RTX SEF's rulebook, RTX SEF intends to implement this program under Rule 310 (entitled "Liquidity Provider Programs"). The program's name is "23\_LP01."

*Attachment A* contains the program text; *Attachment B*, a copy of RTX SEF's request for confidential treatment.

Below is the concise explanation and analysis that the Commission requires under § 40.6(a)(7)(v). The program applies to RTX SEF's electronic and voice markets for USD interest-rate swaps. Its purpose is to provide liquidity and promote trading in those markets. This program is open to all RTX SEF's Participants.

In operation, RTX SEF will administer a process for enrollment. To enroll, Participants will indicate their interest in the program and execute any program-related paperwork.

Once enrolled in the program, Participants will have certain obligations. If they satisfy those obligations, they will get certain benefits. Both the program's obligations and benefits are in the program text (Attachment A). This incentive

structure will produce more orderly markets because it will increase liquidity and trading within them.

The program complies with both the Commodity Exchange Act (Act) and the Commission's regulations. Specifically, it complies with Core Principle 2 (Compliance with Rules) and § 37.202 because it adheres to open-access principles and promotes a fair, transparent platform. It also aligns with Core Principle 13 (Financial Resources) because increased trading on RTX SEF will generate more revenue and thus enhance our ability to maintain adequate financial resources.

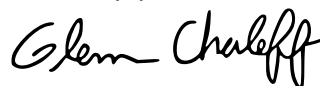
No one has expressed any substantive opposing views to the rule amendment that RTX SEF has not incorporated into the rule.

Finally, on behalf of RTX SEF, I certify the following:

1. RTX SEF has posted on its website a notice of pending certification with the Commission and a copy of this submission (redacted).
2. The rule complies with the Act and the Commission's regulations.

If you have any questions about this submission, please contact me.

Sincerely yours,



Glenn Chaleff

Chief Compliance Officer

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**Attachment A**

Program Text for Liquidity-Provider Program 23\_LP01

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This attachment is subject to a request for confidential treatment.

## Liquidity Provider Program: 23\_LP01

### I. Overview

Under Rule 310 of the rulebook, RTX Fintech & Research LLC (“RTX SEF”) is implementing this liquidity-provider program, described below, called 23\_LP01 (“Liquidity Program”).

### II. Scope and Purpose

This program applies to RTX SEF’s electronic and voice markets for USD interest-rate swaps. Its purpose is to encourage platform liquidity and promote trading in those markets.

### III. Eligible Participants

This program is available to all Participants.

### IV. Enrollment

To enroll, the Participant must inform RTX SEF that the Participant wishes to enroll in the Liquidity Program. The Participant must complete any necessary documentation to become a Liquidity Program subscriber. The paperwork will include what RTX SEF considers necessary to effectuate the Participant becoming a Subscriber in this program.

### V. General Program Terms

If the Subscriber fulfills its obligations under the program, it will be eligible for these benefits:

- discounts on per-trade fees for eligible USD interest-rate swap products that the Subscriber trades electronically and by voice;
- a flat rate for internal trades;
- no program-fee increases except for an annual adjustment for inflation;
- a share of RTX SEF’s annual revenue;
- the right to participate in a jump-ball contest for an even greater share of RTX SEF’s annual revenue; and
- the ability to exchange its revenue share for a call option to buy shares in RTX SEF’s parent company.

The obligations under this program require the Subscriber to:

- agree to participate in the program for a 3-year term;
- trade a daily minimum volume of applicable products;
- pay a monthly prepaid brokerage fee (which RTX SEF will either credit against the Subscriber's monthly brokerage fees for applicable products or waive based on its trading volume); and
- remain current on all outstanding brokerage payables.

If the Subscriber fails to perform an obligation, it will not be considered in good standing under the program. Not being in good standing may cause the Subscriber to lose all or some of its benefits, including its right to discounted fees, revenue share, and jump-ball award.

All Subscribers (who are in good standing) are eligible for the same benefits.

## **VI. Monitoring**

If a Participant enrolls in the program, RTX SEF will monitor its performance. RTX SEF may revoke a Participant's participation in the program if RTX SEF concludes that the Participant's actions conflict with the program's purpose. RTX SEF will not revoke a Participant's participation in the program without first giving the Participant an opportunity to be heard.

## Appendix A: Program Terms in Detail

### 1. Term, Renewal, and Termination

- Enrollment in the program is for a term of three years. The program renews for two additional three-year terms. In order to renew, the Subscriber must give notice to RTX SEF at least three months before the end of the operative term.
- An enrollment can be terminated by mutual agreement, a Subscriber’s providing termination notice in writing any time after the first nine months of the operative term, or RTX SEF’s providing termination notice to the Subscriber after its failure to satisfy its obligations under the program.

### 2. Applicable Products and Minimum-Trading Volume

- The program’s scope is limited to certain USD interest-rate-swap products. Applicable products under the program are as follows:

Currency	Product	Requirements
USD	Fixed/Floating	1 year or greater
USD	Basis	2 swap legs with different indices
USD	Spread trades	fixed/floating vs. U.S. Treasury
USD	Curve trades	2 swap legs with different maturities
USD	Butterfly trades	3 swap legs with different maturities

- Under the program, a “trade” means the approximate risk or notional equivalent of one USD 100 MM five-year interest-rate swap in accordance with this table:

Transaction	Approximate Risk/Notional Equivalent
USD 100 MM 5Y IRS	USD 500 MM 1Y IRS
	USD 250 MM 2Y IRS
	USD 150 MM 3Y IRS
	USD 125 MM 4Y IRS
	USD 85 MM 6Y IRS
	USD 75 MM 7Y IRS
	USD 60 MM 8Y IRS
	USD 55 MM 9Y IRS
	USD 50 MM 10Y IRS
	USD 35 MM 20Y IRS
	USD 25 MM 30Y IRS

**Note to table above:** for Curve and Fly Packages, the equivalent is measured by the “gap.” The gap is the resulting maturity differential by: (1) for a Curve Package, subtracting the shorter-dated swap leg from the longer-dated swap leg; and (2) for a Butterfly Package, subtracting the shorter-dated swap leg from the middle-dated swap leg. Once the gap is identified, the table is used to identify the equivalent. For example, for a 4Y/5Y/6Y Butterfly, subtract 4Y from 5Y, resulting in 1Y, and then convert the 1Y notional to the 5Y equivalent, resulting in USD 500 MM 1Y IRS.

- To remain in good standing, a Subscriber must trade a minimum volume of applicable products each week, which differs depending on what month of the operative term the Subscriber is in. The minimum volume is the five-year notional-volume equivalent in accordance with this table:

Months of Term	Five-Year Notional-Volume Equivalent
1 and 2	200 MM
3 and 4	300 MM
5 and 6	400 MM
7+	500 MM

### 3. Fees

- Participants who enroll in the program must pay a prepaid-brokerage fee of \$50,000 per month for the first year; and \$25,000 per month for each month after the first year. These additional terms apply:

Item	Term
credit against trading activity	The prepaid-brokerage fee will be credited against the Subscriber’s trading activity in applicable products for the relevant month, which is billed monthly.
due date	The prepaid-brokerage fee must be paid within the first 15 business days of the relevant month.
waiver	If a Subscriber executes > 250 trades in a given month, the Subscriber’s prepaid-brokerage fee for the subsequent month will be waived.  If a Subscriber executes > 175 trades each month for three consecutive months, the Subscriber’s prepaid-brokerage fee for the next three consecutive months will be waived.
billing	In addition to the prepaid-brokerage fee, the Subscriber remains responsible for paying monthly brokerage fees for all transactions that

Item	Term
	the Subscriber executes. RTX SEF will provide the Subscriber with monthly brokerage statements that identify all the transactions the Subscriber did during the month, the payments the Subscriber made (including those for a prepaid-brokerage fee), and the brokerage amounts that remain due.

#### 4. Discounts

- Participants who enroll in the program pay a per-trade fee (see the definition of “trade” in section 2 above) based on the fee schedule attached to this document as Appendix B. But these additional terms apply to that fee schedule:
  - For internal trades (book transfer trades) for applicable products, Subscribers pay the following flat rate: \$75 per trade.
  - **Per-Trade-Fee Adjustment:** the transaction fee for a trade less than or greater than the trade amount will be adjusted on a percentage basis. For example, if a Subscriber trades a USD 300 MM 1Y swap (where the approximate risk/notional equivalent, as determined by the table in section 2, is USD 100 MM 5Y), then the fee would be \$120.00 or  $300 \times .20$  (or  $100 \text{ MM}/500 \text{ MM}$ ).
  - There will be no program-fee increases except for an annual adjustment for inflation. “Inflation” means the percentage-rate increase to the Consumer Price Index published for the given month in which the adjustment is made.

#### 5. Revenue Share

- “Global revenue” means the revenue RTX Fintech & Research LLC collects from any trade-based fees related to the use of its swap execution facility or any other trading facility operated by an affiliate of RTX Fintech & Research LLC.
- Participants who are enrolled in the program will receive 1.50% of the annual global revenue, which will be paid semiannually within 90 days of the close of the semiannual period.
- Participants in the program will compete in a jump-ball contest for one of three jump-ball awards. 2.50% of global revenue will be allocated



semiannually based on the performance of the top-three Subscribers enrolled in the program. First place will receive 60% of the 2.50% of the global revenue; second place will receive 30% of the global revenue; and third place will receive 10% of the global revenue.

**Example:** if the semiannual global revenue for the preceding six-month period is \$12.5 MM, the total award would be \$312,500. First place would get \$187,000; second place, \$93,750; and third place, \$31,250.

Any award may be offset against any of the Subscriber's outstanding payables. Performance will be calculated based on the risk-adjusted electronic-trade volume by converting all trade volume into its five-year risk-adjusted notional equivalent. See the table in section 2 for those equivalents.

- The right to receive **any** share of the annual global revenue expires at the end of a Subscriber's second term. In other words, if a Participant enrolls in the program (which will be for a three-year term) and renews its enrollment (which will be for another three-year term), it cannot receive any revenue share for any subsequent renewals.

## 6. Call Option

- Subscribers may exchange their revenue share (this includes any that would be awarded in a jump-ball contest) for a call option to buy 242,515 shares in RTX SEF's parent company (i.e., RTX Holdings, Inc) at a strike price equal to \$3.34 per share (the exercise price), which is based on an outstanding size of 6,872,396 shares (all classes taken together); both the number of shares issuable under the call option and the exercise price will, however, be appropriately adjusted for any stock dividend, stock split, combination thereof, or similar recapitalization.
- To receive the call option, Subscribers must be in good standing and request the call option between the 18<sup>th</sup> month of their first term and the end of their second term. If the Subscriber does not request the call option within that period, RTX SEF will deem the Subscriber to have made the request on the last day that it could have been made. In either case, the call option will then be issued within five business days.

- Once the call option has been requested, a Subscriber's participation in RTX SEF's revenue sharing (of any kind) will immediately cease (effective the date on which the request is made). For the semiannual period that includes the date on which the request is made, the Subscriber's revenue share will only be for whatever global revenue has accrued up to that date.
- For the exercise of the call option, a Subscriber must be in good standing.
- The call option expires at 3 PM EST on the date that is exactly two calendar years after the date on which it was issued. But if that date falls on a weekend or New York holiday, it will expire on the next New York business day that follows.

## **7. Good Standing Under the Program**

- For a Subscriber to be in "good standing," the Subscriber must fulfill its obligations under the program. To be in good standing specifically requires that a Subscriber meet its minimum trade-volume requirement and remain current on all its outstanding brokerage fees.
- If a Subscriber is not in good standing, the Subscriber may lose all or some of its benefits, including its right to discounted fees and any revenue share or jump-ball award.
- Any Subscriber that loses its right to the discounted fees must pay execution fees equal to RTX SEF's non-discounted fee schedule in effect at that time. But even then, a Subscriber that remains in the program will receive a 15% fee discount on all USD swap trades it executes after losing access to the original discounted fees. This 15% fee discount will be in addition to any other fee-reduction programs or revised fee schedules in which the Subscriber participates.

## **Appendix B: Fee Schedule**

# Interest-Rate Swaps: Dues, Fees & Other Charges

RTX Fintech & Research LLC

23\_LP01

Note to CFTC: this part of the program text (i.e., the fee schedule that is Appendix B) is nearly identical to the fee schedule RTX SEF submitted to the Commission on October 19, 2023 (which became effective on November 2, 2023). But this version is not an amendment to the October 19 version because it is part of the liquidity-provider program (i.e., 23\_LP01).

The only differences between the fee schedules are: (1) the version number on the title page (one is “v1.2” and this one is “23\_LP01”); (2) the fee discounts for USD interest-rate swaps (voice and electronic) in the fee schedule’s Appendix A; and (3) the effective date of the fee schedule as listed in the fee schedule’s Appendix A (the effective date for this one is November 22, 2023).

## Contents

<b>1. Technology Access Fees</b>	<b>1</b>
<b>2. Clearing-Participant Fees</b>	<b>1</b>
<b>3. Participant Fees</b>	<b>1</b>
3.1. Swap-Execution Fees by Product . . . . .	I
3.2. Transaction Variables Used to Calculate Per-Trade Fee . . . . .	I
<b>4. Minimum-Ticket Fees</b>	<b>2</b>
<b>5. Participant-Fee Calculation: Swaps</b>	<b>2</b>
<b>6. Participant-Fee Calculation: Trade Strategies</b>	<b>2</b>
6.1. Curve Trades . . . . .	2
6.1.1. Definition . . . . .	2
6.1.2. Fee Calculation . . . . .	3
6.2. Butterfly Trades . . . . .	3
6.2.1. Definition . . . . .	3
6.2.2. Fee Calculation . . . . .	3
<b>7. Liquidity Program &amp; Fee-Reduction Programs</b>	<b>4</b>
<b>Appendix A. Swap-Execution Fee Schedule</b>	<b>5</b>

RTX Fintech & Research LLC (RTX SEF) charges the following dues, fees, and other charges.

## 1. Technology Access Fees

RTX SEF charges the following fees for software licenses and computer access.

ITEM	FEE
Graphical User Interface (GUI)	\$0.00
Application Programming Interface (API)	NA: there is currently no execution API.

## 2. Clearing-Participant Fees

RTX SEF does not currently charge Clearing Participants any dues, fees, or other charges.

## 3. Participant Fees

### 3.1. Swap-Execution Fees by Product

Please see Appendix A for swap-execution fees by product.

### 3.2. Transaction Variables Used to Calculate Per-Trade Fee

RTX SEF charges Participants a per-trade fee based on the following transaction variables.

VARIABLE	MEANING
Product	the swap type
<b>TERM</b> for swaps with a maturity < 20Y for swaps with maturity ≥ 20Y	the swap maturity 20 years
Notional	the notional amount of the swap
Basis-Point Fee	the per-product fee expressed in basis points (or 1/100 <sup>th</sup> of 1 percent)

## 4. Minimum-Ticket Fees

CURRENCY	MINIMUM FEE
USD	75.00
EUR	100.00
GBP	50.00
JPY	10,000.00

## 5. Participant-Fee Calculation: Swaps

The following formula can be used to derive the per-trade fee charged to the Participant (expressed in the trade's notional currency).

$$\text{fee amount} = \text{Basis-Point Fee} \times \text{Term} \times \frac{\text{Notional}}{10,000}$$

### Example

If a Participant executes a EUR 100MM 5Y fixed-to-floating IRS electronically, the fee would be as follows:

$$\text{EUR } 1,250 = 0.0225 \text{ (Basis-Point Fee)} \times 5 \text{ (Tenor)} \times \frac{100,000,000 \text{ (Notional)}}{10,000}$$

## 6. Participant-Fee Calculation: Trade Strategies

### 6.1. Curve Trades

#### 6.1.1. Definition

A curve trade is a package transaction or strategy by which two swaps (of different maturities) are traded together based on the yield spread between both swaps.

The yield spread is always equal to the yield of the long maturity swap minus the yield of the shorter maturity swap, as indicated in the formula below.

$$\text{spread} = \text{yield}_{\text{long-dated swap}} - \text{yield}_{\text{short-dated swap}}$$

### 6.1.2. Fee Calculation

For a curve trade, the following formula can be used to derive the per-trade fee charged to the Participant (expressed in the trade's notional currency).

$$\text{fee amount} = \text{Basis-Point Fee} \times \text{Term}\Delta \times \frac{\text{Notional}_{\text{middle-dated swap}}}{10,000}$$

$$\text{where Term}\Delta = \text{Term}_{\text{middle-dated swap}} - \text{Term}_{\text{short-dated swap}}$$

## 6.2. Butterfly Trades

### 6.2.1. Definition

A butterfly trade is a package transaction or strategy by which three swaps (of different maturities) are traded together based on the yield spread between the three swaps. To effect a butterfly, you *buy* the intermediate swap (aka *the body*) and sell both the short-term and longer-term swaps (aka *the wings*).

The yield spread is always equal to:

$$\text{spread} = (2 \cdot S(0, t_2)) - (S(0, t_1)) - S(0, t_3), \text{ where } t = \text{Term} \ \& \ t_3 > t_2 > t_1$$

or

$$\text{spread} = 2 \times (\text{yield}_{\text{middle-term swap}} - (\text{yield}_{\text{short-dated swap}} - \text{yield}_{\text{long-dated swap}}))$$

### 6.2.2. Fee Calculation

For a butterfly trade, the following formula can be used to derive the per-trade fee charged to the Participant (expressed in the trade's notional currency).

$$\text{fee amount} = \text{Basis-Point Fee} \times \text{Term}\Delta \times \frac{\text{Notional}_{\text{long-dated swap}}}{10,000}$$

$$\text{where Term}\Delta = \text{Term}_{\text{long-dated swap}} - \text{Term}_{\text{short-dated swap}}$$



## **7. Liquidity Program & Fee-Reduction Programs**

From time to time, RTX SEF, to provide liquidity and orderliness in a market, may adopt certain programs granting one or more Participants certain benefits in return for assuming and adequately performing obligations. Such programs will be available to all Participants.

## **Appendix A Swap-Execution Fee Schedule**

RTX SEF SWAPS BROKERAGE					Effective: November 22, 2023	
Product	Currency	Basis Point Fee (MM)	Measure		Trade Execution Fee Calculation Methodology	Trade Execution Fees for Strategy Trades
<b>Brokerage Fee</b>						
<b>US Dollar- Electronic</b>						
FIXED/FLOATING SWAP - Medium Term	USD	2.50000	Term/PV01	50% Fee Reduction when $X < 100$ trades * (Basis Points Fee = 1.2500); 70% Fee Reduction when $100 < x < 300$ trades* (Basis Point Fee = 0.75000); 85% Fee Reduction $x > 300$ trades * (Basis Point Fee = 0.3750)	Short Term, Medium Term (10 YRS and less), Basis Swap and Overnight Index Swap = Notional x Basis Point Fee x Term	Curve charged on Tenor Differential of Swap.LongDated minus Swap.ShortDated ( 2s10s => 8YRS). Butterfly: charged on Tenor Differential of Swap.Body minus the Swap.ShortDated (2s5s10s => 3YRS)
FIXED/FLOATING SWAP - Short Term	USD	2.50000	Term			
BASIS SWAP - Single Currency - excl. overnights	USD	2.50000	Term			
BASIS SWAP - Single Currency - incl. overnights	USD	2.50000	Term			
OVERNIGHT INDEX SWAP	USD	2.50000	Term			
<b>US Dollar-Voice</b>						
FIXED/FLOATING SWAP - Medium Term	USD	2.50000	Term/PV01	50% Fee Reduction when $X < 100$ trades * (Basis Points Fee = 1.2500); 60% Fee Reduction when $100 < x < 300$ trades* (Basis Point Fee = 1.0000); 70% Fee Reduction $x > 300$ trades * (Basis Point Fee = 0.750)	Short Term, Medium Term (10 YRS and less), Basis Swap and Overnight Index Swap = Notional x Basis Point Fee x Term	Curve charged on Tenor Differential of Swap.LongDated minus Swap.ShortDated ( 2s10s => 8YRS). Butterfly: charged on Tenor Differential of Swap.Body minus the Swap.ShortDated (2s5s10s => 3YRS)
FIXED/FLOATING SWAP - Short Term	USD	2.50000	Term			
BASIS SWAP - Single Currency - excl. overnights	USD	2.50000	Term			
BASIS SWAP - Single Currency - incl. overnights	USD	2.50000	Term			
OVERNIGHT INDEX SWAP	USD	2.50000	Term			
<b>EUR</b>						
FIXED/FLOATING SWAP - Medium Term	EUR	3.000000	Term/PV01		Short Term, Medium Term (10 YRS and less), Basis Swap and Overnight Index Swap = Notional x Basis Point Fee x Term	Curve charged on Tenor Differential of Swap.LongDated minus Swap.ShortDated ( 2s10s => 8YRS). Butterfly: charged on Tenor Differential of Swap.Body minus the Swap.ShortDated (2s5s10s => 3YRS)
FIXED/FLOATING SWAP - Short Term	EUR	3.000000	Term			
BASIS SWAP - Single Currency - excl. overnights	EUR	3.000000	Term			
BASIS SWAP - Single Currency - incl. overnights	EUR	3.000000	Term			
OVERNIGHT INDEX SWAP	EUR	3.000000	Term			
<b>GBP</b>						
FIXED/FLOATING SWAP - Medium Term	GBP	3.000000	Term/PV01		Short Term, Medium Term (10 YRS and less), Basis Swap and Overnight Index Swap = Notional x Basis Point Fee x Term	Curve charged on Tenor Differential of Swap.LongDated minus Swap.ShortDated ( 2s10s => 8YRS). Butterfly: charged on Tenor Differential of Swap.Body minus the Swap.ShortDated (2s5s10s => 3YRS)
FIXED/FLOATING SWAP - Short Term	GBP	3.000000	Term			
BASIS SWAP - Single Currency - excl. overnights	GBP	3.000000	Term			
BASIS SWAP - Single Currency - incl. overnights	GBP	3.000000	Term			
OVERNIGHT INDEX SWAP	GBP	3.000000	Term			
<b>JPY</b>						
FIXED/FLOATING SWAP - Medium Term	JPY	4.000000	Term/PV01		Short Term, Medium Term (10 YRS and less), Basis Swap and Overnight Index Swap = Notional x Basis Point Fee x Term	Curve charged on Tenor Differential of Swap.LongDated minus Swap.ShortDated ( 2s10s => 8YRS). Butterfly: charged on Tenor Differential of Swap.Body minus the Swap.ShortDated (2s5s10s => 3YRS)
FIXED/FLOATING SWAP - Short Term	JPY	4.000000	Term			
BASIS SWAP - Single Currency - excl. overnights	JPY	4.000000	Term			
BASIS SWAP - Single Currency - incl. overnights	JPY	4.000000	Term			
OVERNIGHT INDEX SWAP	JPY	4.000000	Term			
<b>SWAPS / FUTURES</b>						
FUTURES UNCHANGED (CONVEXITY TRADES)	USD	\$2000 Per Billion	Flat Rate	\$500 per Billion		
<b>* where 1 trade = 100MM 5YR Equivalent</b>						

## **Attachment B**

Request for Confidential Treatment