# SEFs: Trade execution liquidity – Credit default Swap (CDS) Products

## Tier 1 (1)

- **Normal trade size**
  - Normal lot size
  - Actively traded, small risk size and high ticket volume traded
  - \( \leq 5 \text{ MM} \) for High Yield
  - \( \leq 25 \text{ MM} \) for Investment Grade
  - Note: Widely transmitted request for Quotes in High Yield markets even in small size widens the bid/offer and dries up liquidity

## Tier 2 (1)

- **Large block trades**
  - \( \geq 5 \text{ MM} \) for High Yield
  - \( \geq 25 \text{ MM} \) for Investment Grade
  - \( \geq 25 \text{ MM} \) for High Yield index
  - \( \geq 100 \text{ MM} \) for Investment Grade index

## Tier 3 (1)

- **Blocks where immediate risk transfer could cause market disruption**
  - Disruptive market size (large risk transfer)
  - \( \geq 25 \text{ MM} \) for High Yield
  - \( \geq 50 \text{ MM} \) for Investment Grade

<table>
<thead>
<tr>
<th>Trade Size (Notional)</th>
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<th>Attributes</th>
<th>Risk Management</th>
<th>Execution Reporting (3)</th>
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</thead>
<tbody>
<tr>
<td>Single Name CDS</td>
<td>Index CDS</td>
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<tr>
<td>Varies by asset class</td>
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<tr>
<td>• Normal lot size</td>
<td>• Normal lot size</td>
<td>• VENUE: Many to 1 or many to many electronic platform</td>
<td>• Market has the ability to absorb risk transfer instantaneously under normal market conditions without causing disruption</td>
<td>• As close to real time as operationally feasible</td>
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<tr>
<td>• Actively traded, small risk size and high ticket volume traded</td>
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<td>• PRICING: Indicative and/or firm</td>
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<tr>
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<td>• ( \leq 25 \text{ MM} ) for High Yield index</td>
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</tbody>
</table>

### Notes:
1. **Tier 1** Trade size applicable for current tier and all tiers with smaller minimum trade size
2. **Tier 2** Number of dealers participating on the SEF who are eligible to deal with the counterparty
3. **Tier 3** Not to be confused with post trade, legal entity (at the allocation level) reporting

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**VENUE:** Many to 1, RFQ model electronic / voice platforms with digital conversion for downstream processing
**DEALER SELECTION:** Select 1 to \( n \) dealers for a request for quote (RFQ)
**PRICING:** Indicative and/or firm

**Risk Management**:
- Market has the ability to absorb risk transfer with minimum disruption within 15 minutes under normal market conditions
- Market has the ability to absorb risk transfer with minimum disruption within 15 minutes under normal market conditions
- Markets requires sufficient time to transfer/hedge risk without causing disruption under normal market conditions

**Execution Reporting**:
- As close to real time as operationally feasible
- Minimum 15 minute delay from time of execution
- Time sensitive reporting, reported by SEF. All other reporting by DCO post acceptance for clearing
- End of Day reporting
- Time sensitive reporting, reported by SEF. All other reporting by DCOs post acceptance for clearing

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**Legal Entity (at the allocation level) Reporting**

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**Note:** If sufficient time is not provided for risk transfer, liquidity risk will transfer to investors in the form of wider bid/ask

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