



October 10, 2013

Submitted via email

Office of the Secretariat
U.S. Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st Street
Washington, DC 20581

Re: Submission of Javelin SEF, LLC Rule Amendment in Connection with Request for No Action Relief Pursuant to CFTC Letter 13-62 (Submission No. 13-03)

To Whom It May Concern:

Pursuant to Section 5c(c) of the Commodity Exchange Act (“CEA”) and Section 40.6(a) of the regulations of the Commodity Futures Trading Commission (the “Commission”) Javelin SEF, LLC (“Javelin SEF”) hereby submits to the Commission rule amendments to its Rulebook and requests no action relief pursuant to CFTC No Action Letter 13-62 “Time-Limited No-Action Relief for (1) Futures Commission Merchants from Requirement to Comply with Commission Regulations 1.73(a)(2)(i) and (a)(2)(ii); and (2) Temporarily Registered Swap Execution Facilities from Requirement to Comply with Commission Regulation 37.702(b)” (“CFTC Letter 13-62”). Attached as Exhibit A is a marked copy of the relevant Javelin SEF Rules which indicate the revisions with additions underscored and deletions overstruck as indicated. A clean copy of the rules is attached as Exhibit B.

The rule amendments submitted by Javelin SEF are necessary for its compliance with Commission Regulation 37.702 and facilitate compliance with Commission Regulation 1.73(a)(2)(i) and (a)(2)(ii). Specifically, Javelin SEF has amended Rules 520, 606, 607 and 303 as follows.

A new Rule 520 “Pre-Execution Order Screening” was added to provide for pre-execution order screening for credit limits. This rule provides that Javelin SEF will facilitate the prompt pre-execution screening of orders by the clearing member and that orders will not be entered into Javelin SEF until Javelin SEF receives confirmation that such order complies with pre-execution limits. The rule was created in connection with Javelin SEF’s request for no action relief pursuant to CFTC Letter 13-62.

Rule 606 “Acceptance and Rejection for Clearing” was amended to conform Javelin SEF’s rules with the Staff Guidance on Swap Straight-Through Processing, issued by the Commission on September 26, 2013 (“Staff Guidance”). All of the text of Rule 606 was deleted and has been replaced by new language that indicates: (a) Javelin SEF will promptly submit trades to the

Clearinghouse for clearing, and (b) in the event that Javelin SEF receives notice that the trade has been rejected for clearing, the trade shall be void *ab initio*.

Rule 607 “Rejected Trades and Timed Out Trades” has been deleted.

Javelin SEF has amended Rule 303 “Jurisdiction”. Javelin SEF believes the revisions to Rule 303 clarify who and what is subject to the jurisdiction of Javelin SEF. In addition, the revisions make clear that unless Javelin SEF has consented in writing, no agreement between Javelin SEF Participants can supersede the Javelin SEF Rules. Javelin SEF believes this amendment aligns with the Staff Guidance, which determined that there is no need for “breakage agreements” between market participants.

Javelin SEF believes that the proposed rule amendments enhance its ability to comply with Core Principle 7 “Financial Integrity of Transactions”. The proposed rule amendments ensure the financial integrity of swaps traded on Javelin SEF by aligning the rules, procedures and operational systems of Javelin SEF with the clearinghouse. Uncertainty as to whether or not a trade will be accepted for clearing undermines the financial integrity of the trade. Pre-execution order screening significantly enhances trade certainty. Since only those orders that have been screened against limits and have been found to comply with those limits are entered into Javelin SEF, the proposed rule amendments will significantly decrease (a) the likelihood of the rejection of trades for clearing, and (b) the time needed for a clearinghouse to make its determination whether or not to accept the trade for clearing. As a result, the financial integrity of swaps executed on Javelin SEF is greatly improved.

Javelin SEF is undertaking all steps necessary to fully comply with Commission Regulation 37.702(b), and is undertaking all steps necessary to facilitate full compliance with Commission Regulation 1.73(a)(2)(i) and (a)(2)(ii).

These amendments to rules 303, 606 and 607 shall become effective immediately. Rule 520 will be effective on November 1, 2013.

Javelin SEF certifies that these rule amendments comply with the CEA and the Commission’s Regulations. Javelin SEF further certifies that this Submission has been concurrently posted on Javelin SEF’s website at <http://www.theJavelin.com>.

If you have any questions regarding this submission, please contact me at (646) 307-5931 or suellen.galish@thejavelin.com.

Sincerely,

/s/Suellen Galish
General Counsel and Chief Compliance Officer

Attachments

EXHIBIT A

Rule 303. Jurisdiction

~~By becoming a Participant, accessing Javelin SEF, submitting an order for execution on Javelin SEF, entering orders into Javelin SEF Trading System, or authorizing a Participant to submit an order for execution or enter an order into Javelin SEF Trading System on its behalf, and without need for any further action or agreement, e~~Each Participant ~~and its customers~~ and ~~its~~ Supervised Persons (each a "Covered Person") agree to: (i) be bound by and comply with the Javelin SEF Rules ~~and applicable law~~, and (ii) become subject to the jurisdiction of Javelin SEF with respect to all matters arising from ~~trading on, in connection with, or related to the status, actions or omissions of such Covered Person regarding~~ Javelin SEF. ~~Covered Person hereby further agrees that the Javelin SEF Rules supersede the provisions of any agreement, including, without limitation, the FIA — ISDA Cleared Derivatives Execution Agreement, that conflict with, or in any way limit, the Javelin SEF Rules. Unless agreed to in writing by Javelin SEF, no agreement between Participants may supersede the Javelin SEF Rules.~~

Rule 520. Pre-Execution Order Screening

At the time an order is submitted to Javelin SEF the Participant submitting such an order must designate a Clearing Member. Upon receipt of an order, Javelin SEF shall facilitate prompt pre-execution screening of the order by the designated Clearing Member. As soon as such an order is determined to comply with the pre-execution limits, Javelin SEF will enter the order into Javelin SEF.

Rule 606. Acceptance and Rejection for Clearing

Upon the execution of any orders resulting in Matched Orders, Javelin SEF shall promptly submit such Matched Orders to the Clearinghouse for acceptance for clearing by the applicable Clearing Member and Clearinghouse. Matched Orders submitted for clearing and for which a rejection notice from the Clearinghouse has been received by Javelin SEF shall be void *ab initio*.

- ~~1. Pursuant to CFTC Clearing Guidance, a Clearing Member shall accept or reject Matched Orders submitted by Javelin SEF for clearing and provide notice of its determination~~

~~within a time period not to exceed 60 seconds (i.e. as quickly as would be technologically practicable if fully automated systems were used).~~

- ~~a. If Matched Orders are submitted by Javelin SEF for clearing to a Clearinghouse, and its Clearing Member(s) accepts such Matched Orders for clearing in a time period not to exceed 60 seconds, and the Clearinghouse immediately notifies Javelin SEF of such an acceptance, then such Matched Orders shall be an "Accepted Trade."~~
- ~~b. If Matched Orders are submitted by Javelin SEF for clearing to a Clearinghouse, and its Clearing Member(s) rejects such Matched Orders for clearing in a time period not to exceed 60 seconds, and the Clearinghouse immediately notifies Javelin SEF of such a rejection, then such Matched Orders shall be a "Rejected Trade."~~
- ~~c. If Matched Orders are submitted by Javelin SEF for clearing to a Clearinghouse, and as result of its Clearing Member(s)'s failure to notify the Clearinghouse of such Matched Orders acceptance or rejection in a time period not to exceed 60 seconds, the Clearing House does not notify Javelin SEF of Matched Orders acceptance or rejection in a time period not to exceed 60 seconds from the time of submission of the Matched Orders to the Clearinghouse, then the Matched Orders shall be a "Timed Out Trade."~~

~~2. Matched Orders that result in an Accepted Trade shall be enforceable between the Trade counterparties. Matched Orders that result in a Rejected Trade or a Timed Out Trade shall be void and unenforceable. Timed Out Trades shall be a violation of the Javelin SEF Rules.~~

~~3.1. Matched Orders that involve a U.S. Treasury spread trade that do not result in an Accepted Trade shall be automatically cancelled.~~

Rule 607. Rejected Trades and Timed Out TradesReserved

~~To promote and insure an orderly market, upon notice from a Clearing Member of a Rejected Trade or the occurrence of a Timed Out Trade Javelin SEF will review the Rejected Trade or Timed Out Trade, as applicable, to determine the cause of such Rejected Trade or Timed Out Trade. Once the Javelin SEF determines which Participant, acting on its own account, or customer on whose behalf a Participant acts did not receive approval for clearing of the Rejected Trade, or the cause for the Timed Out Trade, Javelin SEF may, in its sole discretion:~~

- ~~1. cancel all pending orders submitted by such Participant acting on its own account or on the account of the applicable customer;~~

- ~~2. if the Participant is acting on its own behalf immediately suspend such Participant's Trading Privileges pursuant to Rule 312;~~
- ~~3. if the Participant is acting on behalf of a customer, immediately suspend such customer's ability to submit orders on Javelin SEF; and~~
- ~~4. notify the Participant's or Participant's customer's Clearing Member and Clearinghouse, as applicable, of Javelin SEF's suspension of the Participant's Trading Privileges or the suspension of the customer's ability to submit orders to Javelin SEF.~~

~~Javelin SEF shall promptly provide a Status Determination Notice indicating the suspension of Trading Privileges or provide notice of the suspension of the customer's ability to submit orders to Javelin SEF made pursuant to this Rule 607 to the Authorized Representative of such Participant. Javelin SEF, in its sole discretion, may reinstate Trading Privileges of a Participant, pursuant to the Javelin SEF Rules, upon such Participant demonstrating its ability to satisfy all eligibility requirements for Javelin SEF Participant Status. Any Participant who has received a Status Determination Notice pursuant to this Rule 607 may request a review of its change in Participant Status pursuant to Rule 313. Javelin SEF may reinstate a customer's ability to submit orders to Javelin SEF, in its sole discretion, upon such customer demonstrating its ability to have its Trades clear within the time limits set by Javelin SEF Rule 606.~~

EXHIBIT B

Rule 303. Jurisdiction

Each Participant and its Supervised Persons (each a “Covered Person”) agree to: (i) be bound by and comply with the Javelin SEF Rules, and (ii) become subject to the jurisdiction of Javelin SEF with respect to all matters arising from trading on Javelin SEF. Unless agreed to in writing by Javelin SEF, no agreement between Participants may supersede the Javelin SEF Rules.

Rule 520. Pre-Execution Order Screening

At the time an order is submitted to Javelin SEF the Participant submitting such an order must designate a Clearing Member. Upon receipt of an order, Javelin SEF shall facilitate prompt pre-execution screening of the order by the designated Clearing Member. As soon as such an order is determined to comply with the pre-execution limits, Javelin SEF will enter the order into Javelin SEF.

Rule 606. Acceptance and Rejection for Clearing

Upon the execution of any orders resulting in Matched Orders, Javelin SEF shall promptly submit such Matched Orders to the Clearinghouse for acceptance for clearing by the applicable Clearing Member and Clearinghouse. Matched Orders submitted for clearing and for which a rejection notice from the Clearinghouse has been received by Javelin SEF shall be void *ab initio*.

Rule 607. Reserved