



November 8, 2013

Submitted via email

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

Re: Submission of Javelin SEF, LLC Rule Amendment (Submission No. 13-08)

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.

Specifically, Javelin SEF has amended Rules 216, 505, 523 and 706 (“Rule Amendments”). The Rule Amendments will be effective November 25, 2013.

A concise explanation and analysis of the Rule Amendment is attached as Exhibit A. A marked copy of the Rule Amendments, which indicates the revisions with additions underscored and deletions overstruck as indicated, is attached as Exhibit B. A clean copy of the Rule Amendments is attached as Exhibit C.

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>. No substantive opposing views were expressed with respect to Rule Amendments.

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

Sincerely,

/s/Suellen Galish  
Senior Managing Director  
General Counsel and  
Chief Compliance Officer

Attachments

Exhibit A

Explanation and Analysis of Javelin SEF Rule Changes

The following is a concise explanation and analysis of the proposed rule amendments which includes the core principles and Commission regulations thereunder.

<b>Rule Amendment</b>	<b>Explanation</b>	<b>Applicable Core Principle and Commission Regulation</b>
Rule 216	The amendment changes the composition of Regulatory Oversight Committee ("ROC"). The total number of members of the ROC remains the same. The amendment adds one Director appointed by the Board and decreases the number of Independent Directors to two.	Core Principle 2 Regulation 37.200
Rule 505	The revisions to Rule 505 make two amendments. First, amendments were made to conform Rule 505 to new Rule 523. New Rule 523 addresses the application of the time delay required by Regulation 37.9(b). In addition, amendments were made to avoid duplication of rules regarding clearing limits and acceptance for clearing which are addressed in Rules 520 and 606.	Core Principle 2 Core Principle 7 Regulation 37.9 Regulation 37.200 Regulation 37.201 Regulation 37.700 Regulation 37.701
Rule 523	New Rule 523 was created to address the application of the time delay required by Regulation 37.9(b) regarding required transaction executed on Javelin SEF's order book and central limit order book.	Core Principle 2 Regulation 37.9 Regulation 37.200
Rule 706	Amendment to Rule 706 is made to conform with the amendments to Rule 505 and the creation of Rule 523.	Core Principle 2 Regulation 37.9 Regulation 37.200

**Exhibit B**  
**Marked Copy of Rule Amendments**

**Rule 216. Regulatory Oversight Committee (“ROC”)**

1. The ROC shall have a total of three members consisting of ~~two~~three Independent Directors, and one Director appointed by the Board or such other number of committee members as the Board shall determine is necessary to comply with any final governance rules adopted by the CFTC. The Board shall delegate sufficient authority, dedicate sufficient resources, and allow sufficient time for the ROC to fulfill its mandate. The ROC shall oversee the all aspects of Javelin SEF’s regulatory program on behalf of the Board. The ROC shall report to the Board and shall make such recommendations to the Board as may, in its judgment, best promote the interests of Javelin SEF. The Chief Compliance Officer shall meet with the ROC at least once each calendar quarter.

[balance of rule remains the same]

**Rule 505. Entry of Orders on Javelin SEF’s Central Limit Order Book**

1. Acceptable Orders. The following types of orders may be entered into the central limit order book of the IRS Vertical of ~~the Javelin SEF Trading System~~.
  - a. Market Orders. A “Market Order” is an order to purchase or sell a Product at the best price obtainable in the central limit order book ~~Javelin SEF Trading System~~ at the time the order is entered ~~into the Javelin SEF Trading System~~.
  - b. Limit Orders. A “Limit Order” is an order to purchase or sell a Product at a specified price or better.
2. Entry of Orders. An order may be submitted directly by a Participant for its own account or on behalf of a customer on whose behalf such Participant is authorized to act.
- ~~3. Time Delay Requirement. All Participants who, in connection with the execution of a Required Transaction, seek to either execute against a customer’s order or execute two customers’ against each other through Javelin SEF’s central limit order book shall use the following procedure:~~
  - ~~i. if a Participant seeks to execute an order against a customer order, then such Participant shall enter the customer order into Javelin SEF’s central limit order book and then wait at least 15 seconds before entering the Participant’s order; or~~

~~b. if a Participant seeks to execute two customer orders against each other, then such Participant shall enter one side of the trade into Javelin SEF's central limit order book and wait at least 15 seconds before entering the second side of the trade for execution.~~

~~4.3. Price-Time Priority.~~ All prices received in the central limit order book are sorted based on a strict price-time priority protocol.

~~5. Trading Limits.~~ Participants shall only enter orders for such Products and for such amounts as is permitted within the scope of their Trading Limits.

~~6.4. Matching of Orders.~~ Orders submitted will be matched as follows.

- a. Market Orders. Market orders will be matched against all pending bids and offers in the market in accordance with the price-time priority protocol. If any portion of the market order is not filled, the unfilled remainder will be cancelled.
- b. Limit Orders. Limit orders will be matched with bids and offers that have a price that is at or better than the price of the limit order, in accordance with the price-time priority protocol. If any portion of the limit order is not filled, the unfilled portion of the order will remain in the market at the price and time that the order was entered.

~~7.5. Unfilled Orders.~~

- a. After the close of trading each Trading Day, all unfilled bids and offers will be cancelled.
- b. Upon a Participant's logging out from the Javelin SEF Trading System during the Trading Day, all unfilled bids and offers entered by such Participant will be cancelled.
- c. In the event that connectivity to a Clearinghouse is lost during a Trading Day all unfilled bids and offers designated for such Clearinghouse will be cancelled.

### **Rule 523. Cross Trades: Time Delays for Required Transactions**

All Participants who, in connection with the execution of a Required Transaction, seek to cross orders by either executing against a customer's order or executing two customers' against each other through Javelin SEF's central limit order book or order book shall use the following procedure:

#### 1. Cross Trades Executed Through the Central Limit Order Book

- a. if a Participant seeks to execute an order against a customer order, then such Participant shall enter the customer order into Javelin SEF's central limit order book and then wait at least 15 seconds before entering the Participant's order;

- b. if a Participant seeks to execute two customer orders against each other, then such Participant shall enter one side of the trade into Javelin SEF's central limit order book and wait at least 15 seconds before entering the second side of the trade for execution.
  - c. If, pursuant to Javelin SEF Rule 522, a Participant informs an Authorized Employee that they seek to execute an order against a customer order, then the Authorized Employee shall enter the customer order into the central limit order book and then wait at least 15 seconds before entering the Participant's order; or
  - d. If, pursuant to Javelin SEF Rule 522, a Participant informs an Authorized Employee that they seek to execute two customer orders against each other, then the Authorized Employee shall enter one side of the trade into the central order book and wait at least 15 seconds before entering the second side of the trade for execution.
2. Cross Trades Executed Through the Order Book
- a. If, pursuant to Javelin SEF Rule 521, a Participant informs an Authorized Employee that they seek to execute an order against a customer order, then the Authorized Employee shall enter the customer order into the order book and then wait at least 15 seconds before entering the Participant's order; or
  - b. If, pursuant to Javelin SEF Rule 521, a Participant informs an Authorized Employee that they seeks to execute two customer orders against each other, then the Authorized Employee shall enter one side of the trade into order book and wait at least 15 seconds before entering the second side of the trade for execution.

## **Rule 706. Rule Violations**

The following conduct shall be a violation of Javelin SEF Rules and will result in the commencement of a Disciplinary Proceeding and/or Summary Proceeding.

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18. Improper Cross-Trades. No Participant may enter cross-trades in violation of Javelin SEF Rule ~~505~~523.

[balance of the rule remain the same]

**Exhibit C**

**Clean Copy of Rule Amendments**

**Rule 216. Regulatory Oversight Committee (“ROC”)**

1. The ROC shall have a total of three members consisting of two Independent Directors and one Director appointed by the Board or such other number of committee members as the Board shall determine is necessary to comply with any final governance rules adopted by the CFTC. The Board shall delegate sufficient authority, dedicate sufficient resources, and allow sufficient time for the ROC to fulfill its mandate. The ROC shall oversee the all aspects of Javelin SEF’s regulatory program on behalf of the Board. The ROC shall report to the Board and shall make such recommendations to the Board as may, in its judgment, best promote the interests of Javelin SEF. The Chief Compliance Officer shall meet with the ROC at least once each calendar quarter.

[balance of rule remains the same]

**Rule 505. Entry of Orders on Javelin SEF’s Central Limit Order Book**

1. Acceptable Orders. The following types of orders may be entered into the central limit order book of the IRS Vertical of Javelin SEF.
  - a. Market Orders. A “Market Order” is an order to purchase or sell a Product at the best price obtainable in the central limit order book at the time the order is entered.
  - b. Limit Orders. A “Limit Order” is an order to purchase or sell a Product at a specified price or better.
2. Entry of Orders. An order may be submitted directly by a Participant for its own account or on behalf of a customer on whose behalf such Participant is authorized to act.
3. Price-Time Priority. All prices received in the central limit order book are sorted based on a strict price-time priority protocol.
4. Matching of Orders. Orders submitted will be matched as follows.
  - a. Market Orders. Market orders will be matched against all pending bids and offers in the market in accordance with the price-time priority protocol. If any portion of the market order is not filled, the unfilled remainder will be cancelled.

- b. Limit Orders. Limit orders will be matched with bids and offers that have a price that is at or better than the price of the limit order, in accordance with the price-time priority protocol. If any portion of the limit order is not filled, the unfilled portion of the order will remain in the market at the price and time that the order was entered.
5. Unfilled Orders.
- a. After the close of trading each Trading Day, all unfilled bids and offers will be cancelled.
  - b. Upon a Participant's logging out from the Javelin SEF Trading System during the Trading Day, all unfilled bids and offers entered by such Participant will be cancelled.
  - c. In the event that connectivity to a Clearinghouse is lost during a Trading Day all unfilled bids and offers designated for such Clearinghouse will be cancelled.

### **Rule 523. Cross Trades; Time Delays for Required Transactions**

All Participants who, in connection with the execution of a Required Transaction, seek to cross orders by either executing against a customer's order or executing two customers' against each other through Javelin SEF's central limit order book or order book shall use the following procedure:

1. Cross Trades Executed Through the Central Limit Order Book
  - a. if a Participant seeks to execute an order against a customer order, then such Participant shall enter the customer order into Javelin SEF's central limit order book and then wait at least 15 seconds before entering the Participant's order;
  - b. if a Participant seeks to execute two customer orders against each other, then such Participant shall enter one side of the trade into Javelin SEF's central limit order book and wait at least 15 seconds before entering the second side of the trade for execution.
  - c. If, pursuant to Javelin SEF Rule 522, a Participant informs an Authorized Employee that they seek to execute an order against a customer order, then the Authorized Employee shall enter the customer order into the central limit order book and then wait at least 15 seconds before entering the Participant's order;  
or
  - d. If, pursuant to Javelin SEF Rule 522, a Participant informs an Authorized Employee that they seek to execute two customer orders against each other,



then the Authorized Employee shall enter one side of the trade into the central order book and wait at least 15 seconds before entering the second side of the trade for execution.

2. Cross Trades Executed Through the Order Book
  - a. If, pursuant to Javelin SEF Rule 521, a Participant informs an Authorized Employee that they seek to execute an order against a customer order, then the Authorized Employee shall enter the customer order into the order book and then wait at least 15 seconds before entering the Participant's order; or
  - b. If, pursuant to Javelin SEF Rule 521, a Participant informs an Authorized Employee that they seeks to execute two customer orders against each other, then the Authorized Employee shall enter one side of the trade into order book and wait at least 15 seconds before entering the second side of the trade for execution.

## **Rule 706. Rule Violations**

The following conduct shall be a violation of Javelin SEF Rules and will result in the commencement of a Disciplinary Proceeding and/or Summary Proceeding.

\*\*\*

18. Improper Cross-Trades. No Participant may enter cross-trades in violation of Javelin SEF Rule 523.

[balance of the rule remain the same]