

NOTICE OF LISTING OF PRODUCTS BY ICAP SEF (US) LLC FOR TRADING BY CERTIFICATION

1. This submission is made pursuant to CFTC Reg. 40.2 by ICAP SEF (US) LLC (the "SEF").
2. The products certified by this submission are the following Credit Default Swaps: IOS Index CDS (the "Contract").
3. Attached as Attachment A is a copy of the Contract's rules.
4. The SEF intends to make this submission of the certification of the Contract effective on the day following submission pursuant to CFTC Reg. 40.2(a)(2).
5. Attached as Attachment B is a certification from the SEF that the Contract complies with the Commodity Exchange Act and CFTC Regulations, and that the SEF has posted a notice of pending product certification and a copy of this submission on its website concurrent with the filing of this submission with the Commission.
6. As required by Commission Regulation 40.2(a), the following concise explanation and analysis demonstrates that the Contract complies with the core principles of the Commodity Exchange Act for swap execution facilities, and in particular Core Principle 3, which provides that a swap execution facility shall permit trading only in swaps that are not readily susceptible to manipulation, in accordance with the applicable guidelines in Appendix C to Part 38 of the Commission's Regulations for contracts settled by cash settlement and options thereon.

The Contract

The Contract is a cash-settled credit default swap that allows one party to transfer to another party the credit risk associated with a single index of reference mortgage loan pools ("Reference Pools"), the Markit IOS Index (the "IOS Index"). The "Buyer" of the Contract pays a cash premium to the "Seller" in order to purchase credit protection against the occurrence of a "Credit Event" with respect to the Reference Pools of the IOS Index. Credit Events generally include bankruptcy, failure to pay obligations and restructuring of obligations. The credit protection is generally expressed in terms of a notional amount of the relevant obligations of the Reference Pools. Selling credit protection is economically equivalent to owning those obligations and buying credit protection is economically equivalent to selling those obligations short. If a Credit Event occurs before the Maturity Date of the Contract, the seller must make cash payments to the Buyer in accordance with the 2009 ISDA Credit Derivatives Determination Committees and Auction Settlement Supplement (*i.e.*, the "Big Bang Protocol"). The Contract has highly standardized market terms and the IOS Index used to determine the exchange of cash flows under the Contract is a well-established index that provides market participants with exposure to Federal National Mortgage Association ("Fannie Mae") mortgage pools. The IOS Index is a synthetic total return swap index referencing the interest component of 4%, 4.5% and 5% coupon, 30-year, fixed-rate Fannie Mae mortgage loan pools. Following is an explanation of why the Contract is not readily susceptible to manipulation in accordance with section (c) of Appendix C to Part 38.

Appendix C to Part 38—Demonstration of Compliance That a Contract is Not Readily Susceptible to Manipulation

Section (c) Contracts Settled by Cash Settlement

- (1) Calculation of Cash Settlement Price. The Buyer of the Contract will pay an upfront fee payment (the "premium") and a series of fixed quarterly cash payments to the Seller in order to purchase the credit protection. In return, the Seller will be obligated to make cash payments to the seller if a Credit Event occurs. As noted in Attachment A, the cash settlement process for the Contract includes the following terms that are fixed at the Effective Date of the Contract:
 - (a) Fixed Quarterly Cash Payments: These payments are reflected in basis points and paid by the Buyer to the Seller.
 - (b) Premium Payment: This upfront fee is a portion of the payments, which is expressed in percentage points of the notional. The fee is present valued and paid immediately to the Seller.
 - (c) Contingent Payment: If there is a Credit Event, payments related to the Credit Event settlement will be determined pursuant to the Big Bang Protocol.

This cash settlement method for credit default swaps is often used and widely accepted by market participants.

- (2) Contract Not Readily Susceptible to Manipulation. The Contract is not readily susceptible to manipulation for a number of reasons. The fixed cash payments made under the Contract are based on terms that are fixed at the Effective Date and the contingent payments are made by reference to the IOS Index and pursuant to the industry standard Big Bang Protocol. The IOS Index is a well-known index published by Markit Group Limited ("Markit") and is derived from a cash market that has considerable depth and liquidity, making manipulation very difficult to achieve. It is widely followed by numerous market participants and basing credit default swaps on the IOS Index has been a longstanding and widely accepted practice. Additionally, as noted above, the method of calculating the cash settlement price is widely used and generally accepted by market participants. Accordingly, the Contract is not easily susceptible to manipulation or price distortion because the method of determining the

cash settlement price is based on terms that are fixed at the Effective Date of the Contract, a reliable reference index and a well-established cash settlement method.

- (3) **Independent Third-Party Index.** The reference index used to determine the exchange of cash flows under the Contract is Markit's IOS Index. The IOS Index is based on comprehensive, well-established and transparent rules that outline, among other things, the selection of Reference Pools included in the index, the aggregate face amount of each such Reference Pool, the method and timing of the pricing of the Reference Pools, and the eligibility criteria for becoming a member that may participate in determinations relating to the index.¹ The IOS Index is widely accepted by market participants as a reliable index. The SEF believes that Markit is impartial, employs appropriate safeguards against manipulation to protect the value of the IOS Index, and uses business practices that minimize the opportunity or incentive to manipulate the reference index associated with the Contract's exchange of cash flows. Furthermore, the development and management of the IOS Index is rules-based, therefore making it difficult for individuals or entities to change the selection process of the Reference Pools and the periodic fixing of the values of those pools for purposes of manipulation. The IOS Index is comprised entirely of residential mortgage loan pools issued by Fannie Mae, a broad category of pools that further make the IOS Index not readily susceptible to manipulation. To the extent that the SEF's Market Regulation Department determines that there is reason to suspect manipulation or attempted manipulation with respect to the Contract that involves the IOS Index, it will so inform Markit and will seek to share information as necessary to investigate the potential manipulation or attempted manipulation.
- (4) **Contract Terms and Conditions.** The essential terms and conditions of the Contract are attached as Attachment A.
- **Commodity Characteristics.** The terms and conditions of the Contract specify that the Contract is based on the Reference Pools that comprise the IOS Index.
 - **Contract Size and Trading Unit.** The size of the Contract is consistent with customary transactions in the market.
 - **Cash Settlement Procedure.** The cash settlement procedures and an explanation of how the Contract is not readily susceptible to manipulation are described above.
 - **Pricing Basis and Minimum Price Fluctuation.** As agreed to between the parties.
 - **Maximum Price Fluctuation Limits.** As agreed to between the parties.
 - **Last Trading Day.** The last trading day for a Contract is the Maturity Date of the Contract, which is set by the counterparties.
 - **Trading Months.** If there is no Credit Event, the Buyer will pay the Seller fixed quarterly cash payments until the Maturity Date.
 - **Speculative Limits.** None are currently required by the Commission. If and to the extent the Commission imposes speculative limits on the Contract, the limits imposed by the SEF will be the same.
 - **Reportable Levels.** None are currently required by the Commission. If and to the extent the Commission imposes a reporting requirement based on reportable levels of the Contract imposed by the Commission, the reportable levels imposed by the SEF will be the same.
 - **Trading Hours.** Trading hours are 00:01 – 24:00 (ET) Sunday to Friday.

¹ See "Rules for the IOS Indices (August 27, 2010)," available at: <http://www.markit.com/assets/en/docs/products/data/structured-finance/Documentation/Markit%20IOS%20Index%20Rules.pdf>

* * *

In addition to the foregoing, the SEF's predecessor brokers have experience executing trades in this Contract, and in their experience it is not readily susceptible to being manipulated. Furthermore, the SEF has adopted rules in its Rulebook prohibiting any Participant or Customer from engaging in manipulative trading activity and the SEF is required to, and will, monitor all trading on the SEF in order to identify any such manipulative activity. The SEF has authority to impose on its Participants and Customers fines and disciplinary sanctions in the event that such manipulative activity has occurred.

Attachment A

SEF Rule 805 (13)(a)

Product Descriptions – IOS Index CDS

IOS Index CDS

Contract Specification	Details
Product Description	An agreement to buy or sell protection on a synthetic total return swap index of 30-year, fixed-rate Fannie Mae mortgage pools.
Index Name	Markit IOS Index
Quotation	Contract prices are quoted in dollars and cents per contract.
Units of Trading	Contract(s)
Expiration Date	Trading shall cease at the end of the last day of the contract designated settlement period.
Settlement	<p>Contingent payment - Payments related to credit event settlement will be determined pursuant to the 2009 ISDA Credit Derivatives Determination Committees and Auction Settlement Supplement, (i.e., the Big Bang Protocol).</p> <p>Fixed Quarterly cash payments - reflected in basis points and paid by the protection buyer to the protection seller.</p> <p>Upfront fee payment - The upfront fee is a portion of the payments, expressed in percentage points of the notional, which is present valued and paid immediately to the seller.</p>
Swap Conventions	Fixed coupon payments are calculated at a spread of 100 bps and exchanged on a quarterly basis.
Minimum Price Fluctuation/Price Tick Size	As agreed to by the parties.
Contract Size	As agreed to by the parties
Effective Date	As agreed to by the parties.
Maturity Date	As agreed to by the parties. The Maturity Date may also be referred to as the Termination Date or End Date.
Tenor	The duration of the time from the Effective Date to the Maturity Date.
Trade Types	IOS Index CDS can be traded as one of the following trade type: <ul style="list-style-type: none">a) Outrightb) Roll tradesc) Curve trades
Last Trading Day	As agreed to by the parties.
Trading Months	All months.
Trading Hours	00:01 – 24:00 (ET) Sunday to Friday

Product Descriptions – IOS Index CDS

Contract Specification

Details

Trading Conventions

- a) Buy = Buy protection. The buyer pays a premium to the seller in case of a credit event occurring. Credit events include bankruptcy and failure to pay.
- b) Sell = Sell protection. The seller of protection receives the premium payments from the protection buyer. The seller owns the credit risk of the instrument.

Investment grade indices are traded on spread.

Speculative Limits

No speculative limits are currently required.

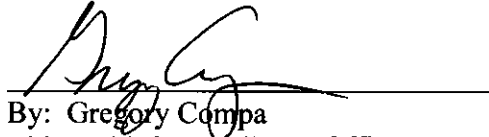
Reportable Levels

No reportable levels are currently applicable.

ATTACHMENT B – CERTIFICATION PURSUANT TO CFTC REGULATION 40.2

The undersigned hereby certifies that each product described in this submission complies with the Commodity Exchange Act and the CFTC Regulations thereunder, and that concurrent with the filing of this submission with the Commission, ICAP SEF (US) LLC will be posting on its website, prior to 8:00 a.m. on March 7, 2014, a copy of this submission and a notice of pending product certification of this product with the Commission.

ICAP SEF (US) LLC

A handwritten signature in black ink, appearing to read 'Gregory Compa', is written over a horizontal line.

By: Gregory Compa

Title: Chief Compliance Officer

Date: March 6, 2014