



March 27, 2014

**BY ELECTRONIC MAIL: [submissions@cftc.gov](mailto:submissions@cftc.gov)**

Melissa Jurgens  
Office of the Secretariat  
Commodity Futures Trading Commission  
Three Lafayette Centre  
1155 21st Street, N.W.  
Washington, D.C. 20581

**Re: Commission Regulation 40.2(a) – Certification of iBoxx Standardized TRS Indices  
GFI Swaps Exchange LLC Submission # 14-0009**

Dear Ms. Jurgens:

GFI Swaps Exchange LLC (“GFI”) hereby notifies the Commodity Futures Trading Commission (the “Commission”), pursuant to Commission Regulation 40.2(a), that it is certifying the iBoxx Standardized Total Return Swap indices (each, a “Swap,” and collectively, the “Swaps”) for trading on GFI’s electronic trading platform (the “Trading Platform”).

GFI will list the Swaps no earlier than March 28, 2014.

This letter includes the following attachments:

- The submission cover sheet.
- A concise explanation and analysis of the Swaps, attached as Exhibit A.
- A copy of the Swaps’ rules, which will be published as contract specifications on GFI’s website in accordance with GFI Rule 1101, attached as Exhibit B.
- A concise explanation and analysis of the Swaps’ compliance with applicable provisions of the Commodity Exchange Act (the “CEA”), including the Core Principles, and the Commission’s Regulations thereunder, attached as Exhibit C.

GFI certifies that the Swaps comply with the CEA and Commission Regulations thereunder. GFI additionally certifies that it has concurrently posted a copy of this submission letter and the attachments hereto on GFI’s website at <http://gfigroup.com/markets/swaps-exchange/rules-notices.aspx>.

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Please contact the undersigned at (212) 968-2982 or [daniel.glatter@gfigroup.com](mailto:daniel.glatter@gfigroup.com) if you have any questions or you would otherwise like to discuss this further.

Sincerely,

/s/ Daniel E. Glatter  
General Counsel  
GFI Swaps Exchange LLC

Enclosure

## Exhibit A

Below is a concise explanation of the Swaps:

Each Swap is a cash-settled total return swap that allows a party to speculate on, or hedge risks associated with, the corporate bond markets as represented by one of the broad-based security indices (each, an “iBoxx Index,” and collectively, the “iBoxx Indices”) published by Markit Indices Limited (“Markit”).<sup>1</sup> The buyer pays a set rate, fixed or variable, established at the Trade Date (as defined in Exhibit B) and any depreciation of the applicable iBoxx Index to the seller. The seller pays the “total return” of the iBoxx Index, which includes all income generated by the securities comprising the Index and any appreciation of the Index itself.

Markit has established a standard set of rules and calculation procedures for determining the appreciation/depreciation of the iBoxx Index (i.e., the “index return amount”) and the amount of income generated by the securities comprising the Index.<sup>2</sup> All other essential terms are agreed upon and established by the parties at the Trade Date (as defined in Exhibit B).

For more information, the Swaps’ contract specifications are attached as Exhibit B.<sup>3</sup>

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<sup>1</sup> The composition of the iBoxx Indices as of February 28, 2014 is available at <http://www.markit.com/assets/en/docs/products/data/indices/bond-indices/Markit%20iBoxx%20TRS%20Initial%20Subset%202014%2002%2028.pdf>.

<sup>2</sup> Further information regarding the iBoxx Indices is available on Markit’s website at <http://www.markit.com/en/products/data/indices/bond-indices/iboxx/markit-iboxx-trs.page?#>.

<sup>3</sup> The specifications in Exhibit B “incorporate by reference such credit and other terms as the parties may establish through pre-existing bilateral agreements,” which includes the iBoxx Bond Index Transaction Standard Terms Supplement, available on Markit’s website. *Id.*

## Exhibit B

# GFI Contract Specifications

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The terms and conditions of the iBoxx Standardized Total Return Swap indices incorporate by reference such credit and other terms as the parties may establish through pre-existing bilateral agreements. The iBoxx Standardized Total Return Swap indices have the following characteristics:

<b>Contract Overview</b>	Each contract is a total return swap where the buyer is obliged to pay a predetermined set rate, fixed or variable, to the seller in exchange for the notional-based return performance of one of the Reference Indices listed below.
<b>Reference Index</b>	Markit iBoxx EUR Corporates Markit iBoxx EUR Liquid HY Markit iBoxx GBP Corporates Markit iBoxx USD Domestic Corporates Markit iBoxx USD Liquid HY
<b>Trade Date</b>	The date on which the parties enter into the contract, which shall be prior to the Termination Date.
<b>Effective Date</b>	The first day of the term of the contract, as agreed by the parties.
<b>Quoting Convention and Minimum Increment</b>	Notional amount, as agreed by the parties.
<b>Minimum Size</b>	Notional amount, as agreed by the parties.
<b>Termination Date</b>	The date on which the contract expires, as agreed by the parties.
<b>Tenor</b>	The duration of time from the Effective Date to the Termination Date.
<b>Settlement Type</b>	Cash settlement.
<b>Settlement Terms</b>	<u>Buyer</u> : The buyer pays (i) a fixed rate of interest plus a differential, as agreed by the parties and (ii) the depreciation of the Reference Index, as applicable. <u>Seller</u> : The seller pays (i) the income of the Reference Index and (ii) the appreciation of the Reference Index, as applicable.
<b>Settlement Currency</b>	EUR, GBP or USD.
<b>Trading Hours</b>	06:00 - 17:00 (ET), Sunday-Friday.

<b>Speculative Limits</b>	None.
<b>Reportable Levels</b>	None.

## Exhibit C

GFI has determined that the Swaps certified herein relate to the following Core Principles:

### **Core Principle 2 – Compliance with Rules**

Trading in the Swaps will be subject to the GFI Rulebook (the “Rules”), which prohibits abusive trading practices, including: acts detrimental to GFI (Rule 522) or that are inconsistent with just and equitable principles of trade (Rule 510), fraudulent acts (Rule 511), fictitious or non-competitive transactions (Rule 512), market manipulation (Rule 515), disruptive trading practices (Rule 516), misstatements (Rule 521), wash sales (Rule 531) and pre-negotiated or non-competitive trades, including money passes (Rule 533). Trading in these Swaps will also be subject to Rules relating to protection of customers. *See* Rules 525-528.

As with all swaps listed for trading on the Trading Platform, trading activity in the Swaps will be subject to monitoring and surveillance by GFI’s Compliance Department. GFI has the authority to exercise its investigatory and enforcement power where potential Rule violations are identified. *See* Chapter 7 of the Rules.

Pursuant to Rule 601(a)(i), each Swap executed as a block trade must be for the quantity that is equal to or in excess of the applicable minimum block size for such contract set forth in Commission Regulations.

### **Core Principle 3 – Swaps Not Readily Susceptible to Manipulation**

The Swaps are not readily susceptible to manipulation for a number of reasons. First, the value of payments made pursuant to the terms of the Swaps is determined primarily by reference to the applicable iBoxx Index. Markit indices are widely accepted swap market benchmarks, and Markit has established a comprehensive and transparent set of rules and calculation procedures for determining, *inter alia*, the selection of corporate bonds included in the iBoxx Indices, the rebalancing of the Index and the calculation procedures and timing of the pricing of the relevant iBoxx Index and bond income. Markit’s rules and calculation procedures make it difficult for individuals or entities to change the selection process of the securities and the calculation of amounts due under the Swap. GFI believes that Markit is impartial, employs appropriate safeguards against manipulation to protect the value of the iBoxx Indices, and uses business practices that minimize the opportunity or incentive to manipulate an Index associated with the Swaps’ exchange of cash flows.

Furthermore, the iBoxx Indices are not readily susceptible to manipulation because they have the following characteristics: (i) each iBoxx Index is comprised of a broad basket of corporate securities that have a cash market of considerable depth and liquidity resulting from the involvement of numerous institutional participants; (ii) the way in which each iBoxx Index is calculated is well-documented and well-understood by swap market participants; (iii) the way in which each iBoxx Index is calculated involves appropriate computational procedures that eliminate or reduce the impact of potentially unrepresentative data; (iv) information about each iBoxx Index is publicly and readily available; (v) each iBoxx Index is administered and published by a reputable organization; and (vi) many active participants in the relevant cash market are entities that are subject to regulation.

To the extent that GFI's Compliance Department determines that there is reason to suspect manipulation or attempted manipulation with respect to a Swap that involves the underlying iBoxx Index, it will so inform Markit and will seek to share information as necessary to investigate the potential manipulation or attempted manipulation.

#### **Core Principle 4 – Monitoring of Trading and Trade Processing**

Chapter 5 of the Rules prohibits traders from manipulating, distorting the price of, and disrupting the cash settlement process of swaps traded on GFI, which would include the Swaps. Such Rules are enforced by the Compliance Department.

#### **Core Principle 5 – Ability to Obtain Information**

Pursuant to the Rules, GFI will have the ability and authority to obtain sufficient information for the Swaps to allow GFI to fully perform its operational, risk management, governance and regulatory functions and requirements under Part 37 of Commission Regulations.

#### **Core Principle 6 – Position Limits or Accountability**

Rule 536 allows GFI to adopt position accountability levels for “required transactions,” as such term is defined in Commission Regulations. As a “permitted transaction” (as defined in Commission Regulations) that is not readily susceptible to manipulation (*see* Core Principle 3 above), GFI has elected not to set position accountability levels for the Swaps at this time.

#### **Core Principle 7 – Financial Integrity of Transactions**

Swaps that the counterparties elect to submit for clearing through a derivatives clearing organization (a “DCO”) will be submitted to that DCO by GFI. *See* Rules 302(a)(ii), 304(c)(i) and 1002. Swaps that the parties elect not to clear may be entered into only by GFI Participants and Sponsored Access Firms who have entered into swap trading relationship documentation in compliance with the requirements of Applicable Law. *See* Rule 1003.

#### **Core Principle 8 – Emergency Authority**

Pursuant to Rule 911, GFI may take necessary or appropriate actions in response to an emergency, including the following: (i) suspending or curtailing trading or limiting trading to liquidation only (in whole or in part); (ii) ordering the liquidation of swaps or the reduction of positions, in consultation with relevant DCO if practicable; and (iii) imposing or modifying trading limits, price limits or position limits.

#### **Core Principle 9 – Timely Publication of Trading Information**

In accordance with Part 16 of Commission Regulations, GFI will publish daily information on the Swaps regarding volume, price ranges and open interest (based on non-cancelled bids, non-cancelled offers, and sales) subject to such prices accurately reflecting market conditions. *See* Rule 409.

GFI will submit electronic reports of all primary economic terms data for each Swap to a registered swap data repository immediately following execution of such Swap. *See* Rule 540. All such reports will meet the standards set out in Commission Regulation 45.3, including the requirement to produce a unique swap identifier for each transaction. GFI will also issue confirmations of transactions pursuant to Rule 406.