

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 Commodities Products: Natural Gas Basis Swaps (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 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.

The Contract

The Contract is a cash-settled basis swap that allows a party to speculate on, or hedge, the locational basis risk between the price of natural gas at the Henry Hub and the price of natural gas at a specific geographic location. One party to the Contract (the "Seller") receives a fixed price based on the last day of trading of the NYMEX Henry Hub Natural Gas Futures contract (code NG)¹ (the "NYMEX Contract"), plus or minus a negotiated differential, and pays the other party (the "Buyer") a floating price based on the index of market center spot gas prices published in Platts Inside FERC's Gas Market Report ("Platts IFERC")² for one of the specific locations listed on Attachment A (each, a "Spot Price Index"). All of the essential terms of the Contract, other than the floating price, are agreed to at the Effective Date. 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. One leg of the Contract will pay a "fixed price"³ based on the final settlement price of the NYMEX Contract for a specific contract month, plus or minus a negotiated differential that is established at the Effective Date and which will remain unchanged throughout the life of the Contract. The other leg of the Contract will pay a floating price that is based on the price of the Spot Price Index at the specified Maturity Date, or alternatively the average price of a series (or a strip) of predefined fixings or "pricing dates" over the life of the Contract. The price of the NYMEX Contract is published by CME Group Inc. ("CME") and is reliable, widely accepted and publicly available. The price of the Spot Price Index is published in Platts IFERC and is reliable, widely accepted and available through a subscription. On the Maturity Date, the counterparties will calculate the difference between the fixed price and the floating price and exchange a final settlement payment.
- (2) Contract Not Readily Susceptible to Manipulation. The Contract is not readily susceptible to manipulation for a number of reasons. As noted above, all of the essential terms of the Contract, other than the floating price, are agreed to at the Effective Date of the Contract, thereby reducing the impact of potentially unrepresentative data. The floating price itself is based on a well-known spot price index published in Platts IFERC. The Spot Price Index is closely followed by market participants and is composed of a large number of spot market transactions, with a high volume of transactions and a high number of market participants trading in the cash market which make the Spot Price Index unlikely to be the subject of an attempt to manipulate the price upon which the Contract's cash settlement price is calculated. The fixed price is based on a well-known futures contract traded on NYMEX and whose price is published by CME. The size and liquidity of the market in the NYMEX Contract is well documented. It is closely followed by market participants, has a high volume of market transactions and a high number of market participants trading in the market, which make the futures contract unlikely to be the subject of an attempt to manipulate the price upon which the Contract's cash settlement price is calculated. 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

¹ See <http://www.platts.com/products/gas-market-report>;

² See e.g., <http://www.platts.com/IM.Platts.Content/ProductsServices/Products/gasmarketreport.pdf>.

³ The "fixed price" in a basis swap has characteristics of a floating price in other swaps because it is based on the final settlement price of a futures contract, plus or minus a fixed basis differential. However, it is standard terminology in natural gas basis swaps to refer to the price of this leg of the swap as the "fixed price."

Date of the Contract and reliable fixed and floating prices. The SEF notes that the Commission has previously approved a number NYMEX basis futures contracts for basis risk between natural gas at the Henry Hub, as represented by the NYMEX Contract, and specific locations, as represented by a Platts IFERC spot price index. See, e.g., the Henry Hub Natural Gas (Platts IFERC) Basis Futures contract,⁴ NYMEX Rule 509,⁵ the Algonquin City-Gates Natural Gas (Platts IFERC) Basis Futures Contract,⁶ NYMEX Rule 876,⁷ the Rockies Natural Gas (Platts IFERC) Basis Futures Contract,⁸ NYMEX Rule 524.⁹

(3) Independent Third-Party Pricing of Underlying Commodities.

- Fixed Price. The prices of the NYMEX Contract upon which the fixed price leg of the Contract is based are published by CME and are publicly available on CME's website, thereby making an information sharing or licensing agreement unnecessary. Furthermore, the closing price of the NYMEX Contract is set by market transactions on a futures exchange operated by an independent, private-sector third-party, namely NYMEX, which, together with CME, has a financial incentive to protect the market's faith in the pricing of NYMEX futures contracts. The SEF believes that each of these parties is impartial, employs appropriate safeguards against manipulation to protect the value of the NYMEX Contract to the market place and the exchange, and uses business practices that minimize the opportunity or incentive to manipulate the pricing of the futures contract associated with the Contract's fixed price leg. The settlement price of the NYMEX Contract is publicly available on a timely basis for the purposes of calculating the Contract's cash settlement price. The settlement price for the NYMEX Contract is established by NYMEX on an objective basis. See NYMEX Rule 220 (Henry Hub Natural Gas Futures)¹⁰ and Final NYMEX Energy Futures Settlement Procedure.¹¹
- Floating Price. The floating price used to determine the exchange of cash flows under the Contract is based on the Spot Price Index. The Spot Price Index is published in Platts IFERC, which delivers first of the month gas prices for more than 40 pipeline locations and multiple market centers based on a large number of reported transactions and other market information collected by Platts. The Spot Price Index is calculated based on comprehensive, well-established and transparent methodology that governs, among other things, the selection of reported transactions included in the index, the selection of trading locations, the determination to use a volume-weighted average and the index calculation procedures.¹² The Spot Price Index is widely accepted by market participants as a

⁴ See http://www.cmegroup.com/trading/energy/natural-gas/henry-hub-natural-gas-basis-swap-futures-platts-iferc_contract_specifications.html.

⁵ See <http://www.cmegroup.com/rulebook/NYMEX/5/509.pdf>.

⁶ See http://www.cmegroup.com/trading/energy/natural-gas/algonquin-citygates-natural-gas-basis-futures_contract_specifications.html.

⁷ See <http://www.cmegroup.com/rulebook/NYMEX/8/876.pdf>.

⁸ See http://www.cmegroup.com/trading/energy/natural-gas/northwest-pipeline-rockies-natural-gas-basis-swap-futures-platts-iferc_contract_specifications.html.

⁹ See http://www.cmegroup.com/trading/energy/natural-gas/henry-hub-natural-gas-basis-swap-futures-platts-iferc_contract_specifications.html; <http://www.cmegroup.com/rulebook/NYMEX/5/524.pdf>.

¹⁰ See <http://www.cmegroup.com/rulebook/NYMEX/2/220.pdf>.

¹¹ See http://www.cmegroup.com/trading/energy/files/NYMEX_Energy_Futures_Final_Settlement_Procedure.pdf.

¹² http://www.platts.com/IM.Platts.Content/MethodologyReferences/MethodologySpecs/na_gas_methodology.pdf.

reliable index. The SEF believes that Platts is impartial, employs appropriate safeguards against manipulation to protect the value of the Spot Price 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. The Spot Price Index is comprised of a large number of reported cash market transactions that further make the 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 NYMEX Contract or the Spot Price Index, it will so inform NYMEX and/or Platts 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 commodity underlying the Contract is natural gas at the Henry Hub and at each of the locations listed in Attachment A.
 - **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.** The minimum price increment is set at a level that is equal to, or less than, the minimum price increment for the corresponding futures contract, which is equal to, or less than, the minimum price increment commonly observed in the cash market for natural gas at the Henry Hub.
 - **Maximum Price Fluctuation Limits.** The maximum price fluctuation limit is agreed to between the parties.
 - **Last Trading Day.** The last trading day for the Contract occurs on the publication of the prices of the NYMEX Contract.
 - **Trading Months.** The maturity date of the Contract is agreed to between the parties and based on their risk management needs. The maturity date may be the last trading day of any calendar month.
 - **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 08:00 – 17:00 (ET) Monday to Friday.

Attachment A

SEF Rule 805 (23)(e)

Natural Gas – Basis Swaps

Basis locations settlements based on Inside FERC Indices

Product Description Cash-settled basis swap contracts. One party to the swap (the “Seller”) receives a fixed price based on the last day of trading of the NYMEX Henry Hub Natural Gas Futures contract (code NG), plus or minus a negotiated differential, and pays the other party (the “Buyer”) a floating price based on the Platts Inside FERC's Gas Market Report (“Platts IFERC”) index price published under the heading “Market Center Spot Gas Prices (\$MMBTU)” for one of the specific locations listed below at the specified Maturity Date, or alternatively the average price of a series (or a strip) of predefined “pricing dates” over the life of the swap. The price for a pricing date will be that day's Platts IFERC published index price per MMBtu of natural gas for delivery on the delivery date, stated in US dollars.

The following Natural Gas products based on monthly Inside FERC Pricing settlements are traded at ICAP:

Algonquin City-Gates
 Colorado Interstate Gas Co. - Rocky Mountains
 Columbia Gas Transmission Corp. - Appalachia
 Columbia Gulf Transmission Co. - Louisiana
 Columbia Gulf Transmission Company - Mainline Pool
 Dominion Transmission Inc. - Appalachia
 El Paso Natural Gas Co. - Permian Basin
 El Paso Natural Gas Co. - San Juan Basin
 Enable Gas Transmission, LLC - East
 Florida Gas Transmission Co. - Zone 3
 Henry Hub Natural Gas
 Houston Ship Channel
 Mich Con city-gate
 Natural Gas Pipeline Co. of America - Texok zone
 Northern Natural Gas Co. - Demarcation
 Northern Natural Gas Co. - Ventura, Iowa
 Northwest Pipeline Corp. - Canadian border
 Northwest Pipeline Corp. - Rocky Mountains
 Panhandle Eastern Pipe Line Co. - Texas, Oklahoma (mainline)
 Southern Natural Gas Co. - Louisiana
 Tennessee Gas Pipeline Co. Louisiana, 500 Leg
 Tennessee Gas Pipeline Co. Texas, zone 0
 Texas Eastern, zone M-3
 Texas Gas Transmission Corp. - Zone 1
 Transco, zone 6 N.Y.
 Transco, zone 6 non-N.Y.
 Transcontinental Gas Pipe Line Corp. - Zone 3

Transcontinental Gas Pipe Line Corp. - Zone 4
Waha Natural Gas

Trading Hours	08:00 – 17:00, Local Eastern Time (LET), Monday – Friday.
Price Quotation	Prices shall be quoted in dollars and hundredths of cents per British thermal units (MMBtu).
Units of Trading	Any multiple of 2,500 MMBtus
Expiration Date	Trading shall cease on the last business day of the corresponding contract month of the NYMEX Henry Hub Natural Gas Futures contract (code NG).
Settlement Terms	Cash
Minimum Price Fluctuation	\$.0001 per MMBtu
Fixed Price	The Fixed Price for each contract month will be equal to the NYMEX Henry Hub Natural Gas Futures contract (code NG) final settlement price for the corresponding contract month, plus or minus an agreed upon differential.
Floating Price	The Floating Price for each contract month will be equal to the Platts IFERC index price for the specified location published in the table titled "Market Center Spot-Gas Prices (\$MMBTU)" in the issue that reports prices effective on a pricing date.
Contract Size	2,500 million MMBtus.
Tenor	The contract terms available to be traded include: <ul style="list-style-type: none"> a) Months b) Quarters c) Seasons d) Half Year e) Calendar Year
Maturity Date	The Maturity Date may also be referred to as the Termination Date or End Date.
Trade Types	Natural Gas Basis Swaps can be traded as one of the following trade types: <ul style="list-style-type: none"> a) Outright b) Spread – calendar
Trading Conventions	<ul style="list-style-type: none"> a) Buyer (Payer), the fixed payer is the party of the contract who has bought the commodity or known to be 'long'. b) Seller (Receiver), the floating payer is the party of the contract who has sold the commodity or known to be 'short'
Swap Leg Conventions	<ul style="list-style-type: none"> a) Payment Frequency: Monthly, Quarterly, Semi-Annually, or Annually b) Holiday Calendar: New York and London c) Business Day Convention: Modified Following with adjustment to period end dates. Business

days in this convention must be valid business days on both the New York and London calendar. If not, it will be the next day that is a business day on both the New York and London calendar.

d) Fixed Price: The agreed price of the product traded.

Speculative
Limits

No speculative limits are currently required.

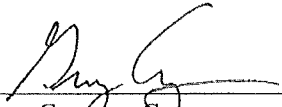
Reportable
Levels

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 June 24, 2014, a copy of this submission and a notice of pending product certification of this product with the Commission.

ICAP SEF (US) LLC



By: Gregory Compa
Title: Chief Compliance Officer
Date: June 23, 2014