



December 19, 2014

BY ELECTRONIC MAIL: 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: SwapEx Submission 10-14: Certification Pursuant to Commission Regulation 40.2(a) of Synthetic Non-Deliverable Foreign Exchange Forwards

Dear Ms. Jurgens:

SwapEx, LLC ("SwapEx") hereby notifies the Commodity Futures Trading Commission (the "Commission" or "CFTC"), pursuant to Commission Regulation 40.2(a), that it is certifying 17 non-deliverable foreign exchange forwards ("NDFs") for trading on SwapEx's electronic trading system (the "Trading System"). Specifically, SwapEx certifies NDFs in the following foreign exchange ("FX") pairs:

- EUR/USD
- GBP/USD
- USD/JPY
- USD/CAD
- AUD/USD
- NZD/USD
- USD/CHF
- USD/SEK
- USD/NOK
- USD/DKK
- USD/SGD
- USD/ZAR
- USD/TRY
- USD/MXN
- USD/CZK
- USD/HKD
- USD/THB

These NDFs are in addition to the 13 NDFs certified by SwapEx in its submission of September 30, 2013 and the 65 NDFs certified by SwapEx in its submission of September 10, 2014.

The intended listing date of the NDFs (each, a “Swap,” and collectively, the “Swaps”) is December 23, 2014.

This submission letter contains the following attachments:

- Attached as Exhibit A, a concise explanation and analysis of the Swaps.
- Attached as Exhibit B, a copy of the rules for the Swaps, which will be published as contract specifications on SwapEx’s website in accordance with SwapEx Rule 901(c).
- Attached as Exhibit C, 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.

SwapEx certifies that each Swap complies with the CEA and Commission Regulations thereunder. SwapEx additionally certifies that it has concurrently posted a copy of this submission letter and attachments hereto on SwapEx’s website at <http://www.swapex.com/swapex/rules-policies-and-notices/recent-rule-filings-cftc/>.

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In the event that you have questions, please contact the undersigned at (312) 798-6517 or at BJRegan@statestreet.com.

Sincerely,


Brian J. Regan
Chief Compliance Officer

Exhibit A

Below is a concise explanation and analysis of the Swaps:

Synthetic Non-Deliverable Forwards (NDF)

SwapEx hereby certifies 17 NDFs in the following FX pairs:

- EUR/USD
- GBP/USD
- USD/JPY
- USD/CAD
- AUD/USD
- NZD/USD
- USD/CHF
- USD/SEK
- USD/NOK
- USD/DKK
- USD/SGD
- USD/ZAR
- USD/TRY
- USD/MXN
- USD/CZK
- USD/HKD
- USD/THB

Each NDF is a cash-settled contract with notional amounts down to single currency units traded against counter currencies. For more information, the contract specifications for the above NDF instruments are attached as Exhibit B.

Exhibit B

SwapEx Contract Specifications

The Synthetic Non-Deliverable Forward contract specifications are as follows:

Contract Structure	Notional amounts down to single currency units traded against counter currencies for a custom or standard maturity using a standard or custom fixing date.
Trading Hours	Trading hours consecutive from 5:00 p.m. EST on Sunday through to Friday at 5:00 p.m. EST. Each day at 5:00 p.m. EST, SwapEx rolls the trade date.
Reference Currency (i.e., Non-deliverable currency)	AUD – Australian Dollar CAD – Canadian Dollar CHF – Swiss Franc CZK – Czech Republic Koruna DKK – Danish Krone EUR - Euro GBP – British Pound Sterling HKD – Hong Kong Dollar JPY – Japanese Yen MXN – Mexican Peso NOK – Norwegian Krone NZD – New Zealand Dollar SEK – Swedish Krona SGD – Singapore Dollar THB – Thai Baht TRY – Turkish Lira ZAR – South African Rand
Settlement Currency	USD – US Dollar
Underlying Swap Tenor	The duration of time from the Effective Date to the Fixing Date. Subject to specific end date defined by user or SwapEx.
Forward Rate	Currency exchange rate expressed as the amount of Reference Currency per unit of Settlement Currency. Rate negotiated at the time of execution.
Contract Size	Minimum contract size is 1 unit of settlement currency unit.

Effective Date	The date on which the parties enter into the contract.
Maturity / Valuation Date	The date specified in the contract when the trade will be cash settled; it must be greater than Effective Date.
Fixing Dates	The date at which the difference between the prevailing market exchange rate and the agreed upon forward rate is calculated. The Fixing Date is defined by the counterparties at the time of entering into the contract; it must be earlier than Maturity / Valuation Date.
Fixing Source	WM/Reuters* 4pm Closing Spot Rate (the "WM Closing Spot Rate") for the applicable Reference Currency against USD; provided that for currencies for which the WM Closing Spot Rate is quoted in a base currency of EUR and not USD, the WM Closing Spot Rate for such currency as converted to USD using the WM Closing Spot Rate for EUR/USD.
Last Trading Day for Defined (Fixed) Tenors	The last day on which the contract can be traded is the New York business day preceding the Maturity Date
Settlement Procedure	Bilateral settlement performed in settlement currency
Quoting Convention	A currency pair is the quotation of the relative value of a currency unit against the unit of another currency in the foreign exchange market. SwapEx follows market convention with regards to quoting, but allows users the flexibility with regards to whether the quantity traded is expressed in base or notional terms. NDFs can be quoted up to 6 decimal places.

* The WM/Reuters benchmark Closing Spot Rates are produced by The World Markets Company plc ("The WM Company"), which is an affiliate of SwapEx. Generally, The WM Company uses data from independent third parties to calculate and validate its benchmark rates. Currenex, Inc., however, is an affiliate of SwapEx that offers a foreign exchange trading platform for the trading of instruments that are not regulated as swaps under the Commodity Exchange Act, as amended, and currently serves as a secondary source of data for validation purposes on three currency pairs: USD/CHF, EUR/USD and USD/JPY.

Exhibit C

SwapEx has determined that the Swaps certified herein bear upon the following Core Principles:

Core Principle 2 – Compliance with Rules

Trading in the Swaps will be subject to the SwapEx Rulebook (the “Rules”), which prohibits abusive trading practices, including: acts detrimental to SwapEx or that are inconsistent with just and equitable principles of trade (Rule 503), fraudulent acts (Rule 504), fictitious or non-competitive transactions (Rule 505), market manipulation (Rule 506), disruptive trading practices (Rule 507), misstatements (Rule 508), misuse of the trading system (Rule 509), wash sales (Rule 514) and pre-negotiated or non-competitive trades, including money passes (Rule 515). Trading in these Swaps will also be subject to Rules relating to protection of customers. *See* Rules 511-513, 516, 517.

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

Core Principle 3 – Swaps Not Readily Susceptible to Manipulation

Synthetic NDFs are cash-settled currency Swaps between two counterparties used to either hedge or speculate against currencies that are typically deliverable, but where counterparties do not want to take physical delivery of the Reference Currency, for example where a counterparty is entering into the transaction for balance sheet management purposes. No exchange of the underlying currency occurs. Instead, the contracts are settled in USD.

The cash settlement price for an NDF is determined on the Fixing Date. On the Fixing Date, the parties will identify the spot FX rate (the “Spot Rate”) for the currency pair of such NDF. The Spot Rate is expressed as Reference Currency per unit of Settlement Currency. For Synthetic NDFs, the SwapEx product specifications identify the Spot Rate to be used as (1) the WM/Reuters 4pm Closing Spot Rate (the “WM Closing Spot Rate”)¹ for the applicable Reference Currency against USD or (2) for currencies for which the WM Closing Spot Rate is quoted in a base currency of EUR, the WM Closing Spot Rate for such currency as converted to USD using the WM Closing Spot Rate for EUR/USD.

¹ The WM/Reuters benchmark Closing Spot Rates are produced by The World Markets Company plc (“The WM Company”), which is an affiliate of SwapEx. Generally, The WM Company uses data from independent third parties to calculate and validate its benchmark rates. Currenex, Inc., however, is an affiliate of SwapEx that offers a foreign exchange trading platform for the trading of instruments that are not regulated as swaps under the Commodity Exchange Act, as amended, and currently serves as a secondary source of data for validation purposes on three currency pairs: USD/CHF, USD/EUR and USD/JPY.

As described by The WM Company², the primary sources for the WM Closing Spot Rates for the Settlement Currencies are as follows: the Thomson Reuters Dealing 3 000 System for AUD, CAD, CZK, DKK, GBP, HKD, MXN, NOK, NZD, SEK, SGD, TRY, ZAR; a combination of EBS as the primary source and Currenex as a secondary source for CHF, EUR, JPY; and quoted rates from Thomson Reuters for THB. Using a patented methodology, the WM Company will determine a fix rate based on actual trades and bid and offer rates from the source systems during a fixed window for all currencies listed in this document except for THB. If neither order rates nor trade rates are available for any of such currencies, WM Company would use quoted rates from the Reuters system as it does for THB. The WM Closing Spot Rates are widely available from a number of market utilities, including Bloomberg and Reuters.

The parties will then calculate the difference between the Forward Rate and the Spot Rate and multiply that difference by the notional amount of the contract to determine the cash settlement amount. The cash settlement amount will be due on the Maturity/Valuation Date. This method for calculating the settlement price of the contract is a common, widely-used and widely accepted method of calculating the cash settlement of NDF contracts.

As noted above, there is no exchange of the underlying currency and the Swaps are settled in the Settlement Currency based on reference prices that are publicly available on a timely basis. The reliability of the reference price is reflected through the wide acceptance of the relevant WM Closing Spot Rates in the FX marketplace.

As stated by the WM Company Methodology “These rates were adopted by index compilers, the Financial Times and other users and became the de facto standard for Closing Spot Rates on a global basis”³. Because the WM Closing Spot Rates are calculated based on actual orders, trades and quotes from market leading platforms, such rates should be less susceptible to manipulation than rates derived from a survey-based method. To manipulate a market-based index, market participants would need to submit trades sizeable enough to move the actual market in their direction. SwapEx is using the WM Closing Spot Rates as a reference for currencies that are among the most liquid (see BIS Triennial Bank Survey 2013⁴). It would thus require significant resources to manipulate those rates. While we acknowledge that there has been recent investigation into and regulatory focus on possible manipulation of foreign exchange reference rates generally, for the reasons set forth above, SwapEx believes that the WM Spot Rates are not “readily susceptible” to manipulation. SwapEx will continue to monitor various investigations into and any regulatory developments with respect to foreign reference rates as well as the potential emergence of EMTA or other trade association templates for reference rate of Synthetic NDF currency pairs to evaluate the appropriateness of the WM Closing Spot Rate in the future as a reference for SwapEx Synthetic NDFs.

² <http://wmcompany.com/pdfs/WMReutersMethodology.pdf>

³ *ibid*

⁴ <https://www.google.com/url?sa=t&rct=j&q=&esrc=s&frm=1&source=web&cd=1&ved=0CCKQFjAA&url=https%3A%2F%2Fwww.bis.org%2Fpubl%2Frpfx13fx.pdf&ei=gLcLU5zLJ7HgsATSm4KwBg&usg=AFQjCNFPg5NNvJjmK-MeEANLgcDSOBb-SA&sig2=MTxVbce-HfAqUfb9LbkmjQ&bvm=bv.61725948,d.cWc>

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 the Swaps. Such Rules are enforced by the Market Regulation Department.

Core Principle 5 – Ability to Obtain Information

Pursuant to the Rules, SwapEx will have the ability and authority to obtain sufficient information for each Swap to allow SwapEx 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

As provided in Rule 519 and 520, SwapEx has the authority to establish position accountability levels and position limits for the Swaps. SwapEx's Rules relating to position limits, position accountability and aggregation standards are reproduced below:

Rule 519. Position Accountability

A Person who holds or controls aggregate positions in any Swap in excess of the applicable position accountability levels set forth in Rule 523 shall:

- (a) upon request by the Market Regulation Department, provide in a timely manner information regarding the nature of the position, trading strategy, and hedging information, if applicable; and
- (b) if so ordered by the Market Regulation Department, not further increase positions that exceed the position accountability levels specified in Rule 523.

Rule 520. Position Limits

The Company may establish position limits for one or more Contracts, which, if and when established will be set forth in Rule 523, and grant exemptions from position limits, in accordance with CFTC Regulations. A Person seeking an exemption from position limits must apply to the Market Regulation Department in the form and manner required by the Company.

Rule 521. Position Information

Without limiting any other rights of the Company under these Rules or otherwise, the Company shall have the right to request position and trading information in respect of a given Contract from any Participant, Authorized Trader, Authorized User or Customer that has a position in such Contract at or above the applicable position accountability level.

Rule 522. Aggregation of Positions

For purposes of Rules 519, 520 and 521, positions in Contracts shall be aggregated in accordance with CFTC Regulations.

Rule 523. Position Limits and Position Accountability Levels

The position limits and position accountability levels for Swaps will be calculated on a net basis and are as follows. SwapEx will enforce position limits and position accountability levels only for Contracts executed on the Trading System and Block Trades executed pursuant to Chapter 6 of the Rules.

Contracts	Daily Position Accountability Level	Position Limit Level
Interest Rate Swaps:		
• Floating Rate Index: 3 Month USD LIBOR	\$250 billion	N/A
• Floating Rate Index: 6 Month EURIBOR	€185 billion	N/A
• Floating Rate Index: 6 Month GBP LIBOR	£150 billion	N/A

Core Principle 7 – Financial Integrity of Transactions

All Swaps that are required to be cleared pursuant to Section 2(h) of the CEA or that are voluntarily cleared by the counterparties will be submitted for clearing through a DCO. *See* Rule 1002.

Core Principle 9 – Timely Publication of Trading Information

In accordance with Part 16 of Commission Regulations, SwapEx will publish daily market volume data reports for each Swap (or class of Swap) in terms of notional value. In addition, SwapEx will publish for each trading day, by tenor of the Swap, the opening price, the high and low prices and a settlement price. *See* Rule 407.

SwapEx 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 528. 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. SwapEx will also issue confirmations of transactions pursuant to Rule 525.