



December 14, 2015

To: SwapEx Participants

From: SwapEx, LLC

**Re: Advisory Notice 01-15 - SwapEx Trading Procedures and Protocols (SwapEx CFTC Submission #09-15)**

SwapEx Rule 524 (Operation of the Trading System) provides a summary of the execution methods available on the Trading System, including the Order Book and Request for Quote functionalities. It also provides that “[a]dditional information with respect to the operation of the Trading System, the execution methods and credit and risk functionality is provided in the applicable user guide and other specific information that the Company may make available to Participants, Authorized Traders and Authorized Users.” This Advisory Notice provides additional information to the Advisory Notice 01-15 – SwapEx Procedures and Protocols (SwapEx CFTC Submission #01-15) (as amended and restated by SwapEx CFTC Submission #07-15, the “Existing Advisory Notice 01-15”) which described trading procedures and protocols of the Trading System and supplemented the information contained in SwapEx Rule 524. This notice amends and restates the Existing Advisory Notice 01-15 to supplement it with further information regarding the method of execution rules for the Trading System.

Capitalized terms used without definition herein shall have the meanings assigned to them in the SwapEx, LLC Rulebook (as amended from time to time, the “Rulebook”).

## **Central Limit Order Book (CLOB)**

### **Overview**

The Trading System offers central limit order book functionality (the “CLOB”) that is anonymous at the time of execution. The matching priority with respect to an acceptance of any price quote is based on price and, if prices are identical, then firm orders will be given priority over indicative prices and then on a “first in, first out” basis. All instruments listed in the product specifications set forth in Chapter 11 of the Rulebook are available for trading on the CLOB. For the most popular instruments, the CLOB supports continuous streaming liquidity (the “Standing CLOB”). For other instruments, the Trading System supports CLOB trading through user-initiated Indications of Interest (“IoI”), enabling CLOB functionality, as further detailed below, for more customized swap instruments.

Cleared Contracts executed over the CLOB will be delivered to supported Derivatives Clearing Organizations and names of the Participants, Authorized Traders and/or Customers) who are party to the trade will not be revealed to the counterparty to the trade. In order for a Participant or Authorized Trader to participate in trading of Cleared Contracts, the applicable Participant must either be able to self-clear or the Participant or Authorized Trader must have authorization to submit swaps executed on the Trading System for clearing to at least one Clearing Firm.

For a Permitted Transaction that is not a Cleared Contract, the Trading System will only match an Order with quotes on the CLOB for such instrument from market participants if both market participants have indicated to the Company in writing they are willing to transact with each other and, if a credit relationship has been established as permitted under Rule 524(c) between market participants, they have available credit. The Trading System will only match an Order for a Cleared Contract, with quotes for such instruments from other market participants who have clearing arrangements at the same Derivatives Clearing Organization for such instrument and have available credit. For all transactions in Permitted

Transactions that are not Cleared Contracts that are executed on the CLOB, the Trading System will disclose to each Participant and/or Authorized Trader that is counterparty to the trade, the name of the other counterparty to the trade after execution. For Cleared Contracts that are executed on the CLOB, the Trading System will not disclose the name of any party to its counterparty before or after execution.

For an Order to be successfully submitted to the CLOB, the Authorized User needs to be properly authenticated and provide the information tagged as relevant for CLOB trading listed in Appendices 1 and 2. Certain of this information is stored as static data within the Trading System, while the remainder of this information must be entered by the Authorized User on an order by order basis.

### **Standing CLOB**

Market participants can access the Standing CLOB by using the front-end graphical user interface (GUI) made available by the Company or by making use of an application programming interface (API) enabling the Participant or Authorized Trader to customize its own interface for access to the Standing CLOB. All Orders on the Standing CLOB are delivered (pushed) in near real-time to all Authorized Users who are logged-in to the CLOB. Trades executed on the Standing CLOB are communicated via a ticker on the CLOB (the "CLOB Ticker"), which publishes all transactions executed on the CLOB (without identifying the parties thereto) in near real-time. Participants and Authorized traders can trade on the Standing CLOB book by either taking liquidity (hitting/lifting bids and offers) or adding liquidity (placing orders into the book).

### **Indication of Interest ("Iol")**

Market participants can access the Iol functionality on the CLOB by using the front-end graphical user interface (GUI) made available by the Company. Market participants can raise an Iol, which will be communicated to all Authorized Users who are logged-in to the CLOB via the GUI and simultaneously will establish a spontaneous CLOB instance accessible to Authorized Users who are logged-in to the CLOB via the GUI that will continue in existence until the end of the trading day. When submitting an IOI, an Authorized User can define the currency pair as well as the value date and fixing date. All Orders submitted via the Iol functionality are delivered (pushed) in near real-time to all Authorized Users who are logged-in to the CLOB via the GUI. Executed trades resulting from an Order submitted via the Iol functionality are communicated to all Authorized Users logged-in to the CLOB via the GUI via the CLOB Ticker. Once a spontaneous Iol has been created, all Authorized Users who are logged-in to the CLOB via the GUI may add liquidity in response to the Iol or, conversely, take liquidity on the CLOB generated by the Iol.

## **Request for Quote (RFQ) Functionality**

### **Overview**

The Trading System also supports two Request for Quote ("RFQ") execution styles for Permitted Transactions: Standard RFQ and Reverse RFQ. All trading through the Standard RFQ functionality and Reverse RFQ functionality is done on a fully-disclosed, attributed basis (i.e., a market participant that is party to a trade will be identified to the other market participant who is counterparty to the trade prior to execution).

For a request to be successfully submitted on the Trading System, the Authorized User needs to be properly authenticated and provide the information tagged as relevant for Standard RFQ or Reverse RFQ trading listed in Appendices 1 and 2. Certain of this information is stored as static data within the Trading System, while the remainder of this information must be entered by the Authorized User on an order by order basis.

### Standard RFQ

Market participants can access the Standard RFQ functionality by using the front-end graphical user interface (GUI) made available by the Company or by making use of an application programming interface (API) enabling the Participant or Authorized Trader to customize its own interface for access to the Standard RFQ functionality. All instruments listed in the product specifications set forth in Chapter 11 of the Rulebook are available for trading via the Standard RFQ functionality. For Permitted Transactions that are not Cleared Contracts, a Taker (as defined below) may submit an RFQ composed of two Contracts for the same currency pair but with different fixing dates and maturity/valuation dates.

To initiate a Standard RFQ, an Authorized User must connect to the Trading System and select either the "Requests" tab (if the Authorized User is accessing the Trading System through a GUI) or submit a "Request" (if the Authorized User is accessing the Trading System through an API).

Through the Standard RFQ functionality, a Person (the "Taker") may submit an RFQ to certain other Persons (each a "Maker") to which all such Makers may respond. A Taker may submit an RFQ for a Cleared Contract through the Standard RFQ functionality to any or all Participants and/or Authorized Traders who have indicated to the Company in writing that they intend to act as "RFQ Makers" on the Standard RFQ functionality for such Cleared Contract; provided that the Taker and each such Participant or Authorized Trader have clearing arrangements at the same Derivatives Clearing Organization for such Cleared Contract and have available credit. A Taker may submit an RFQ for a Permitted Transaction that is not a Cleared Contract through the Standard RFQ functionality to any or all Participants and/or Authorized Traders, provided that both the Taker and each such Participant or Authorized Trader have indicated to the Company in writing they are willing to transact with each other via the Standard RFQ functionality and, if a credit relationship has been established as permitted under Rule 524(c) between the Taker and a Participant or Authorized Trader, there is available credit. RFQs submitted through the Standard RFQ are filled on an all or none basis.

Makers may choose to submit firm or indicative quotes via the Standard RFQ functionality. A Maker who provides an indicative quote in response to an RFQ in the Standard RFQ functionality is provided the opportunity, after a Taker has accepted such indicative price quote, to confirm that it remains willing to execute a transaction at that quoted rate. The Maker generally has no more than eight-seconds (the "Standard RFQ Review Period") in which to confirm or reject the acceptance of the transaction at the quoted rate. During the Standard RFQ Review Period, (1) the RFQ status will be set to "pending" and the Taker can no longer make any edits to it and (2) the Maker is not permitted to send the same price quote to any other market participant on the Trading System. If the quote provided is confirmed by the Maker prior to expiration of the applicable Standard RFQ Review Period, the status of the RFQ will be updated to reflect completion of the transaction at the quoted rate. If the Maker rejects or otherwise does not confirm acceptance of the transaction within the applicable Standard RFQ Review Period noted above, (1) the Trading System will not execute a transaction between the Maker and Taker and (2) the RFQ will resume and the Taker can select another quoted rate to accept.

### Reverse RFQ

Market participants can access the Reverse RFQ functionality (1) to stream quotes by making use of an application programming interface (API) enabling the Participant or Authorized Trader to customize its own interface for access to the Reverse RFQ functionality or (2) to receive streamed quotes using the front-end graphical user interface (GUI) made available by the Company or by making use of an API enabling the Participant or Authorized Trader to customize its own interface for access to the Reverse RFQ functionality. The following instruments are available for Reverse RFQ Trading<sup>1</sup>:

Currency Pair	Non-Cleared Tenors	Cleared Tenors
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<sup>1</sup> The Company may make changes to list of instruments for Reverse RFQ trading on an on-going basis.

USD/ARS	1M, 2M, 3M	N/A
USD/BRL	1M, 2M, 3M	N/A
USD/CLP	1M, 2M, 3M	N/A
USD/CNY	1M, 2M, 3M, 12M	N/A
USD/COP	1M, 2M, 3M	N/A
USD/IDR	1M, 2M, 3M	N/A
USD/KRW	1M, 2M, 3M	N/A
USD/MYR	1M, 2M, 3M	N/A
USD/PEN	1M, 2M, 3M	N/A
USD/PHP	1M, 2M, 3M	N/A
USD/RUB	1M, 2M, 3M	N/A
USD/THB	1M, 2M, 3M	N/A
USD/TWD	1M, 2M, 3M	N/A

Through the Reverse RFQ functionality, a market participant (the “Sender”) may stream quotes for certain Permitted Transactions that are not Cleared Contracts to any or all Participants and/or Authorized Traders (each a “Recipient”) provided that both the Sender and each such Participant or Authorized Trader have indicated to the Company in writing they are willing to transact with each other via the Reverse RFQ functionality and, if a credit relationship has been established as permitted under Rule 524(c) between the Sender and a Participant or Authorized Trader, there is available credit. To initiate a Reverse RFQ, the Sender must identify those Recipients to whom it will send quotes. A Recipient may accept a quote from the Sender by either accessing and responding to the outstanding quotes under the “Markets” tab (if the Authorized User is accessing the Trading System through a GUI) or submitting an “order” (if the Authorized User is accessing the Trading System through an API). Such acceptance will be communicated to the Sender, who then will have the opportunity to confirm that it remains willing to execute a transaction at that quoted rate. The Sender generally has no more than two-seconds for Reverse RFQ (the “Reverse RFQ Review Period”) in which to confirm or reject the acceptance of the transaction at the quoted rate. During the Reverse RFQ Review Period, (1) the RFQ status will be set to “pending” and the Recipient can no longer make any edits to it and (2) the Sender is not permitted to stream the same price quote to any other market participant on the Trading Platform. If the quote provided is confirmed by the Sender prior to expiration of the applicable Reverse RFQ Review Period, the status of the RFQ will be updated to reflect completion of the transaction at the quoted rate. If the Sender rejects or otherwise does not confirm acceptance of the transaction within the applicable Reverse RFQ Review Period noted above, the Trading System will not execute a transaction between the Sender and the Recipient of the quote. RFQs submitted through the Reverse RFQ functionality may be partially filled.

Appendix 1 – Static Information for trading on the Trading System, by functionality type

Field Name	Information required to be provided for trading		
	Standard RFQ	Reverse RFQ	CLOB
Legal Entity Identifier of Participant	X	X	X
CFTC Registration Status of Participant	X	X	X
U.S. Person Status of Participant	X	X	X
Financial Entity Status of Participant	X	X	X
CTI Code	X	X	X
Whether Trades will be allocated	X	X	X

Appendix 2 – Order Specific Information required to be entered into the system for trading on the Trading System, by functionality type

Field Name	Information required to be provided for trading		
	Standard RFQ	Reverse RFQ	CLOB
Currency pair	Authorized User must select from the list of listed products		
Tenor	An Authorized User can submit a request with either a standard value date (1 month, etc.), or a customized value date	An Authorized User can select an instrument with a standard tenor from a list of pre-defined instruments available in the Trading System	An Authorized User can: (a) Select an instrument with a standard tenor from a list of pre-defined instruments available in the Trading System or an instrument with a customized value date created that day by another Authorized User; (b) Create an instrument with a customized value date ("Indication of Interest") which will be listed in the CLOB from the time entered until 5 pm ET on the day entered, allowing any Authorized Users to submit an Order for that particular instrument.

Field Name	Information required to be provided for trading		
	Standard RFQ	Reverse RFQ	CLOB
Fixing Date	An Authorized User can submit a request with either a standard fixing date, or a customized fixing date.	An Authorized User can select an instrument with a standard tenor from a list of pre-defined instruments available in the Trading System	An Authorized User can: (a) Select an instrument with a standard fixing date from a list of pre-defined instruments available in the Trading System or an instrument with a customized fixing date created that day by another Authorized User; (b) Create an instrument with a customized fixing date ("Indication of Interest") which will be listed in the CLOB from the time entered until 5 pm ET on the day entered, allowing any Authorized Users to submit an Order for that particular instrument.
Size	An Authorized User must enter into the Trading System, for each RFQ or Order, either the base or terms quantity.		
Bid or Offer	An Authorized User can enter a request asking for a response from RFQ Maker(s) expressed as a bid, an offer, or both a bid and offer.  Additionally, an Authorized User can ask RFQ Makers(s) for both a bid and an offer, but limit their own actions to select one or the other	The Authorized User must select the side of the order.	

Field Name	Information required to be provided for trading		
	Standard RFQ	Reverse RFQ	CLOB
Rate	N/A	The Authorized User must input a price for the order; except that, for a market order, the ability to input a price in the Trading System is suppressed as the order will be automatically matched with the best available price on the CLOB / Reverse RFQ.	The Authorized User must input a price for the Order; except that, for a market order, the ability to input a price in the Trading System is suppressed as the Order will be automatically matched with the best available price on the CLOB / Reverse RFQ.
Order type	N/A	<p>Market: a Market Order is an order to buy or sell an instrument at the market bid or offer rate.</p> <p>Limit (default option): a Limit Order is an order to buy or sell an instrument at a rate (the limit rate) that you specify (or better).</p>	
Expiry type	N/A	<p>Good until Cancel Order (default option): Once the order is placed, it will remain in the market until executed or cancelled.</p> <p>IOC (Immediate or Cancelled): Once the order is placed, if it is not immediately executed it will be cancelled.</p> <p>Timed: Once the order is placed, it expires in a defined number of seconds.</p> <p>Custom:</p> <p>LDN-Once the order is placed, it will expire at close of London market on a date that the Authorized User selects;</p> <p>NY-Once the order is placed, it will expire at close of New York market on a date that the Authorized User selects;</p> <p>SGP-Once the order is placed, it will expire at close of Singapore market on a date that the Authorized User selects;</p> <p>TOK-Once the order is placed, it will expire at close of Tokyo market on a date that the Authorized User selects;</p> <p>CD (Custom Date)-to configure a custom date, the Authorized User must determine the date and time of the order's expiration.</p>	

Field Name	Information required to be provided for trading		
	Standard RFQ	Reverse RFQ	CLOB
Fill type	N/A	Partial fills allowed (default option) or not; Minimum Fill amount (blank by default)	
Allocations <sup>1</sup>	When specified, the Derivatives Clearing Organization and Clearing Firm information is required at the allocation level.	N/A	N/A
Legal Entity of Trade Counterparty <sup>2</sup>	X	X	X
Derivatives Clearing Organization <sup>3</sup>	X	N/A <sup>4</sup>	X
Clearing Firm <sup>3</sup>	X	N/A <sup>4</sup>	X

<sup>1</sup> Optional field whose purpose is solely for transactions intended to be cleared.

<sup>2</sup> If an Authorized User is permitted to trade for multiple legal entities, such Authorized User must select the legal entity for which it is trading at the time the Authorized User submits the RFQ or order. The Trading System maintains, as static data, the list of legal entities for which a particular Authorized User is permitted to trade.

<sup>3</sup> Only required for transactions intended to be cleared. If an Authorized User is authorized to submit trades on behalf of a Participant, Authorized Trader or Customer for clearing to multiple Derivatives Clearing Organizations and / or Clearing Firms, the Authorized User must select the applicable Derivatives Clearing Organization and/or Clearing Firm at the time the order is submitted. The Trading System maintains, as static data, the list of Derivatives Clearing Organizations to which a particular Authorized User is authorized to submit trades for clearing. Although the Company currently only offers instruments that are not intended to be cleared or are available for clearing at LCH.Clearnet Limited, it intends to support the trading of instruments cleared at other Derivatives Clearing Organizations in the future.

<sup>4</sup> Reverse RFQ functionality currently does not support instruments that are intended to be cleared.