December 14, 2015

To: SwapEx Participants

From: SwapEx, LLC

Re: Advisory Notice 02-15 - Credit Risk Filter Functionality (SwapEx CFTC Submission #09-15)

This Advisory Notice amends and restates Advisory Notice 02-15: Credit Risk Filter Functionality (SwapEx Submission 01-15).

SwapEx, LLC ("SwapEx") makes available, either directly or via a third-party credit hub, functionality designed to assist Participants and/or Authorized Traders in monitoring and ensuring adherence to applicable credit limits (the "Credit Risk Filter Functionality"). Below is a summary of the two types of Credit Risk Filter Functionality that SwapEx makes available: Push Credit Limit Functionality and Ping Credit Limit Functionality. Capitalized terms used without definition herein shall have the meanings assigned to them in the SwapEx Rules.

Under the Push Credit Limit Functionality, as further described in Section 1, SwapEx maintains, in the Trading System credit exposure limit information provided by (1) Clearing Firms for each Participant, Authorized Trader and/or Customer (each a "Clearing Firm Customer") that such Clearing Firm has authorized to submit swaps executed on SwapEx to it for clearing and (2) Participants or Authorized Traders, as applicable, for their specified counterparties.

Under the Ping Credit Limit Functionality, as further described in Section 2, the Clearing Firm will maintain credit exposure limit information for its Clearing Firm Customers at a third-party credit hub to which SwapEx has access for purposes of verifying credit availability. SwapEx (a) requires use of the Push Credit Limit Functionality (i) to the extent that a counterparty elects to establish a credit limit, for all swap transactions that are not intended to be cleared ("Uncleared Swaps") and (ii) for all transactions in Cleared Contracts conducted via the Order Book functionality and (b) permits use of either the Push Credit Limit Functionality or Ping Credit Limit Functionality for transactions in Cleared Contracts conducted via the Standard RFQ Functionality.

1. **Push Credit Limit Functionality**

In order to utilize the Push Credit Risk Functionality on the Trading System for Uncleared Swaps, a Participant or Authorized Trader can either (1) communicate to SwapEx in writing on the SwapEx onboarding form the credit exposure limits that it wants the Trading System to maintain for each of its counterparties and the SwapEx support group will enter such information into the Trading System or (2) request in writing on the SwapEx onboarding form that SwapEx permission certain of its Authorized Users to enter / modify limits directly in the Trading System.

In order to utilize the Push Credit Risk Functionality on the Trading System for Cleared Swaps:

(1) for SwapEx Participants who self-clear, the Participant must communicate to SwapEx in writing on the SwapEx onboarding form the credit exposure limits it wants the Trading System to maintain for it and the SwapEx support group will enter such information into the Trading System; and

(2) for Clearing Firms who clear for Clearing Firm Customers, the Clearing Firm must inform SwapEx in writing on the SwapEx onboarding form for Clearing Firms of the credit exposure limit

that it wants the Trading System to maintain for each of its Clearing Firm Customers and the SwapEx support group will enter such information into the Trading System.

Credit exposure limits maintained on the Trading System are expressed in United States dollars (USD). Positions in any non-USD currencies are converted to USD using one of the two following methods. If USD is one of the currencies for the applicable transaction, the SwapEx system will utilize the filled rate. If neither currency for the applicable transaction is USD, the SwapEx system will utilize an indicative rate; which will be sourced from either an available executed rate from the SwapEx system or a rate from an external source.

For limits that are expressed as "ACCUMULATED", the credit used will equal the sum of all currency positions of the applicable market participant on the Trading System. For limits that are expressed as "NETTED", the credit used will equal the maximum of (A) the sum of all the long positions (by currency) of the applicable market participant in the Trading System, and (B) the sum of all short positions (by currency) of the applicable market participant in the Trading System.

For trading via SwapEx's Order Book or Reverse Request for Quote functionality, at the time of a match within the Trading System, the Trading system verifies whether such match would cause any applicable credit exposure limit maintained in the Trading System to be exceeded. If the match would cause any such credit exposure limit to be exceeded, the match will not result in a trade, and the bid or offer that caused the violation will be cancelled.

For Standard Request for Quote negotiations, the applicable credit exposure limits are checked:

(1) at the time of submission of the request for quote, and

(2) each time that the requestor selects a quote for execution.

When a market participant has used 80% of a credit exposure limit applicable to it, an automated email will be sent to all credit notification email addresses that are entered into the SwapEx system for that credit relationship. In general, SwapEx staff will endeavor to obtain notification email addresses for the entity to whom the limit is applicable as well as the entity that is setting the credit exposure limit.

Additionally, in the event that a match would result in a breach of a credit exposure limit, an automated email will be sent, concurrently with the bid or offer getting cancelled, to all credit notification email addresses that are entered into the SwapEx system for that credit relationship.

2. Ping Credit Limit Functionality

If a Clearing Firm elects to use the Ping Credit Limit Functionality for Standard RFQ trading, the Clearing Firm will be required to maintain its credit exposure limits at a third-party credit hub to which SwapEx has access. For Standard Request for Quote negotiations, SwapEx will send a request to the third-party credit hub for approval (i.e., verification that credit is available) of a transaction at the time of submission of the request for quote. SwapEx will only allow a request to be sent to the selected recipient after it has received approval from the third-party credit hub. If the third-party credit hub rejects the request (or any component of the request when pre-trade allocations are specified), SwapEx will reject the request for quote in its entirety.