



January 20, 2015

To: SwapEx Participants

From: SwapEx, LLC

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

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 discusses SwapEx's current trading procedures and protocols and is intended to supplement the information contained in SwapEx Rule 524.

Capitalized terms used without definition herein shall have the meanings assigned to them in the SwapEx Rules.

Central Limit Order Book (CLOB)

Overview

SwapEx offers central limit order book functionality that is anonymous at the time of execution and matches orders based on a first-in-first-out basis using price/time priority following normal market conventions. For the most popular instruments, the CLOB supports continuous streaming liquidity. For other instruments, SwapEx supports CLOB trading through user-initiated Indications of Interest ("IoI"), enabling central limit order book 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 (and, if applicable, 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.

At present, SwapEx does not list foreign exchange non-deliverable forward ("NDF") instruments eligible for clearing at a Derivatives Clearing Organization. Thus, currently all NDF trading is being done on a non-cleared basis so a Participant or Authorized Trader will only be able to trade NDFs on the CLOB with counterparties with whom it has established a credit relationship in the Trading System. For all NDF trades executed on the CLOB, SwapEx will disclose to each Participant that is counterparty to the trade, the name of the other counterparty to the trade after execution.

Standing CLOB

Market participants can access the Standing CLOB by using the front-end graphical user interface (GUI) presented by SwapEx or making use of an application program 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, 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 (working orders by 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) only. 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 Iol Orders 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 Iol are communicated to all Authorized Users logged-in to the CLOB via the GUI on a ticker, which publishes all transactions executed as a result of Iols on the CLOB (without identifying the parties thereto) in near real-time. 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 request or, conversely, take liquidity on the order book generated by the Iol.

Request for Quote (RFQ) Functionality

SwapEx also supports two Request for Quote ('RFQ') execution styles: Standard RFQ and Reverse RFQ. Listed interest rate swap instruments can be traded through Standard RFQ and listed NDF instruments can be traded through Standard RFQ or Reverse RFQ. All trading through the Standard RFQ functionality and Reverse RFQ functionality is done on a fully-disclosed, attributed basis (i.e., the parties to the trade must have an established relationship on SwapEx in order to trade with one another and 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).

Standard RFQ

Through the Standard RFQ functionality, SwapEx allows a market participant to submit a request for quote to certain other market participants with whom the requestor has an established trading relationship on SwapEx. RFQs submitted through the Standard RFQ are filled on an all or none basis.

Reverse RFQ

Through the Reverse RFQ functionality, (1) a market participant (sender) may stream quotes to certain other market participants (the recipients) who have an established trading relationship with the sender on SwapEx, (2) the recipient of such quote may accept a quote from the sender, and (3) such acceptance will be communicated to the sender, who then will be entitled to accept or reject the trade. RFQs submitted through the Reverse RFQ functionality may be partially filled.