

SUBMISSION COVER SHEET

IMPORTANT: Check box if Confidential Treatment is requested

Registered Entity Identifier Code (optional): 24-347

Organization: NEX SEF Limited ("NEX SEF")

Filing as a: DCM SEF DCO SDR

Please note - only ONE choice allowed.

Filing Date (mm/dd/yy): 08/07/24 Filing Description: Amendments to NEX SEF Rule 901(e) ("NEX SEF NDF System Protocol" – "The Matching Process") (Form SEF Exhibit M) in Connection with the Adoption of Conditional Price Increments for Certain Products.

SPECIFY FILING TYPE

Please note only ONE choice allowed per Submission.

Organization Rules and Rule Amendments

- Certification § 40.6(a)
- Approval § 40.5(a)
- Notification § 40.6(d)
- Advance Notice of SIDCO Rule Change § 40.10(a)
- SIDCO Emergency Rule Change § 40.10(h)

Rule Numbers: See filing.

New Product

Please note only ONE product per Submission.

- Certification § 40.2(a)
- Certification Security Futures § 41.23(a)
- Certification Swap Class § 40.2(d)
- Approval § 40.3(a)
- Approval Security Futures § 41.23(b)
- Novel Derivative Product Notification § 40.12(a)
- Swap Submission § 39.5

Product Terms and Conditions (product related Rules and Rule Amendments)

- Certification § 40.6(a)
- Certification Made Available to Trade Determination § 40.6(a)
- Certification Security Futures § 41.24(a)
- Delisting (No Open Interest) § 40.6(a)
- Approval § 40.5(a)
- Approval Made Available to Trade Determination § 40.5(a)
- Approval Security Futures § 41.24(c)
- Approval Amendments to enumerated agricultural products § 40.4(a), § 40.5(a)
- "Non-Material Agricultural Rule Change" § 40.4(b)(5)
- Notification § 40.6(d)

Official Name(s) of Product(s) Affected:

Rule Numbers:

August 7, 2024

VIA ELECTRONIC PORTAL

Mr. Christopher J. Kirkpatrick
Office of the Secretariat
Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st Street, N.W.
Washington, D.C. 20581

**Re: CFTC Regulation 40.6(a) Certification. Amendments to NEX SEF Rule 901(e) (“NEX SEF NDF System Protocol” – “The Matching Process”) (Form SEF Exhibit M) in Connection with the Adoption of Conditional Price Increments for Certain Products.
NEX SEF Submission No. 24-347**

Dear Mr. Kirkpatrick:

NEX SEF Limited (“NEX SEF”) is certifying to the Commodity Futures Trading Commission (“CFTC” or “Commission”) amendments to NEX SEF Rule 901(e) (“NEX SEF NDF System Protocol” – “The Matching Process”) effective Sunday, August 25, 2024 for trade date Monday, August 26, 2024 (collectively, the “Rule Amendments”).

Specifically, amendments to Rule 901(e) shall provide for the adoption of Conditional Price Increments (“CPI”). The adoption of CPI will allow for the submission of price improving orders at pre-defined “single pip” increments (e.g., 1 pip) in certain products subject to pre-defined conditions and requirements being satisfied as orders arrive at the Matching Engine.

NEX SEF determined that the adoption of CPI is beneficial in that it maintains primary order placement and liquidity consolidation at established price points and conditionally allows flexibility when improving top of book, enhancing liquidity and market data quality.

NEX SEF reviewed the swap execution facility core principles (“Core Principles”) as set forth in the Commodity Exchange Act (“CEA” or “Act”) and identified that the Rule Amendments may have some bearing on the following Core Principles:

- **Core Principle 2 – Compliance with Rules:** CEA Section 5h(f)(2)(A) requires a swap execution facility to establish and enforce compliance with its rules. The CFTC has implemented this statutory requirement by adopting CFTC Regulation 37.203(a), which requires a swap execution facility to prohibit manipulative or disruptive trading practices prohibited by the CEA or by the Commission pursuant to Commission regulation. The Rule Amendments are subject to all NEX SEF Rules, including the rules on trading procedures set forth in Chapter 3 of its rulebook, the prohibitions against fraudulent, noncompetitive, unfair and abusive practices as outlined in Chapter 4 of its rulebook, and the dispute resolution and arbitration procedures of Chapter 5 of its rulebook. As with all products listed for trading on NEX SEF, trading activity in the Contracts will be subject to monitoring and surveillance by NEX SEF’s market regulation staff, which has the authority to exercise its investigatory and enforcement power where potential rule violations are identified.
- **Core Principle 4 – Monitoring of Trading and Trade Processing:** CEA Section 5h(f)(4)(A) requires swap execution facility to establish trading procedures to be used in entering and executing orders traded on or through the facilities of the swap execution facility. The Rule

Amendments are subject to the NEX SEF rules which include prohibitions on manipulation and price distortion.

Exhibit A below provides, provided amendments to Rule 901(e) in blackline format.

Pursuant to Section 5c(c) of the CEA and Regulations 37.3(b)(3) and 40.6(a), NEX SEF hereby certifies that the Rule Amendments comply with the Act, as amended, and the Commission's regulations thereunder. There were no substantive opposing views to this proposal.

NEX SEF certifies that this submission has been concurrently posted on the CME Group website at <http://www.cmegroup.com/market-regulation/rule-filings.html>.

If you require any additional information regarding this submission, please contact the undersigned at (312) 466-7478 or via email at CMEGSubmissionInquiry@cmegroup.com.

Sincerely,

/s/ Timothy Elliott
Managing Director and Chief Regulatory Counsel

Attachment: Exhibit A – Amendments to NEX SEF Rule 901(e) (blackline format)

Exhibit A

NEX SEF Rulebook **Rule 901(e) (“NEX SEF NDF System Protocol” – “The Matching Process”)** (additions underscored)

Rule 901(e)

THE MATCHING PROCESS

- (1) Each Trading Privilege Holder or Authorised Trading Firm must establish a relationship with its Counterparties, satisfy itself of the creditworthiness of its Counterparties and extend credit to them as it sees fit. For a match to be made in the NEX SEF Dealing Service, mutual credit must exist between the two Counterparties. If credit has not been established with or given by another Counterparty, or when credit given by or to a Counterparty is exhausted, the prices submitted by a Counterparty will not be considered a Dealable Bid/Offer for the other.
- (2) Once an Order is submitted, EBS Market will immediately attempt to match the instruction with a Bid/Offer using a matching algorithm assigned to the instrument. The available matching algorithms are each subject to Latency Floor.
 - i. Size Priority, with further detail on the matching process on the [Client Systems Wiki](#); and
 - ii. FIFO, with further detail on the matching process on the [Client Systems Wiki](#).
 - iii. “Latency Floor” is an augmentation to the EBS Market Matching process aimed at ensuring that speed as a stand-alone strategy is not a pre-requisite for success on EBS Market. It is explained in detail on the [Client Systems Wiki](#).
- (3) Once hits and Bids/Offers have been matched, any successful Deal will depend on the available Credit Limits remaining for each GFID. If there is insufficient mutual credit to complete the Deal for the full size of the Deal, the size of the Deal will be reduced to the amount of mutual credit available. In order for a Deal to complete the size of the Deal must not be greater than the amount of available credit given by the Counterparty who has the lower amount of credit available for the other. The minimum Deal amount also depends on the relevant instrument’s minimum Deal amount and/or minimum Deal increment. Accordingly, the reduced amount of mutual credit available between Counterparties must be greater than the instrument’s minimum Deal amount, otherwise the Deal will not complete. Applicable minimum price increments are listed on the [Client Systems Wiki](#). For certain Contracts, Orders may be submitted at an alternative minimum price increment, in addition to the standard minimum price increment, subject to certain pre-defined Order Book conditions being satisfied as described on the [Client Systems Wiki](#).
- (4) When a Match or multiple Matches occur NEX SEF Dealing Service initiates processing to complete each Deal, including verification that sufficient credit exists between the two Counterparties.
- (5) Once a Deal takes place, credit is reduced for each Counterparty with the other for the size of the Deal. If there is no successful Deal, then the credit of the two Counterparties is unaffected.
- (6) The Participant may reduce the amount of outbound credit consumed by Deals using the discount factor. Using the discount factor a Participant can assign a percentage anywhere between 0-100

thus enabling a reduction of credit line consumption by a given amount. It is the sole responsibility of the Participant to set and monitor this percentage.

(7) Deal Status

- i. A Deal is done when the Deal confirmation is processed in the Matching Engine and is recorded by the system. If for any reason NEX SEF Dealing Service fails to process all Deal messages or fails to process all Deal messages in a timely fashion as defined by NEX SEF Dealing Service that Deal shall be determined as being in an unverified state. In such cases GCC will contact all Counterparties to the trade and notify them of the status of the trade – “Done” or “Not Done”.

[End of Rule.]