



Thomson Reuters (SEF) LLC  
3 Times Square  
New York, NY 10036

March 24, 2017

**VIA ELECTRONIC SUBMISSION**

Commodity Futures Trading Commission  
Three Lafayette Centre  
1155 21<sup>st</sup> Street, NW  
Washington, DC 20581

Re: New Contract Submission 17-02.1: Rule 40.2(a) Certification of Thomson Reuters (SEF) LLC Cross-Currency Non-Deliverable Forwards

Ladies and Gentlemen:

Thomson Reuters (SEF) LLC (“TR SEF”) hereby notifies the Commodity Futures Trading Commission (“CFTC”), pursuant to CFTC Regulation 40.2(a), that it is certifying 43 Cross-Currency Non-Deliverable Forward contracts (the “Contracts”) on TR SEF’s swap execution facility platform. TR SEF’s intended listing date is April 3, 2017.

Specifically, TR SEF certifies Cross-Currency NDFs in the following currencies:

| <b>Deliverable Currencies</b>          | <b>Non-Deliverable Currencies</b> |
|--|-----------------------------------|
| <b>AED United Arab Emirates Dirham</b> | ARS Argentine Peso                |
| AUD Australia Dollar                   | BRL Brazilian Real                |
| BGN Bulgaria Lev                       | CLP Chilean Peso                  |
| BWP Botswana Pula                      | CNY Chinese Renminbi              |
| CAD Canada Dollar                      | COP Colombian Peso                |
| CHF Switzerland Franc                  | EGP Egyptian Pound                |
| CNH Offshore Chinese Renminbi          | GTQ Guatemalan Quetzal            |
| CZK Czech Republic Koruna              | IDR Indonesian Rupiah             |
| DKK Denmark Krone                      | INR Indian Rupee                  |
| EEK Estonia Kroon                      | KES Kenya Shilling                |
| EUR Euros                              | KRW South Korean Won              |
| GBP United Kingdom Pound               | KZT Kazakh Tenge                  |
| HKD Hong Kong Dollar                   | MYR Malaysian Ringgit             |

|                            |                        |
|----------------------------|------------------------|
| HRK Croatia Kuna           | PEN Peruvian Nuevo Sol |
| HUF Hungary Forint         | PHP Philippine Peso    |
| ILS Israel Shekel          | PKR Pakistan Rupee     |
| ISK Iceland Krona          | RUB Russian Ruble      |
| JMD Jamaica Dollar         | THB Thai Baht          |
| JOD Jordan Dinar           | TWD Taiwan Dollar      |
| JPY Japan Yen              | UAH Ukrainian Hryvnia  |
| KWD Kuwait Dinar           | UYU Uruguayan Peso     |
| LKR Sri Lanka Rupee        | VEF Venezuelan Bolívar |
| LVL Latvia Lats            | VND Vietnamese Dong    |
| MAS Morocco Dirham         |                        |
| MUR Mauritius Rupee        |                        |
| MXN Mexico Peso            |                        |
| NOK Norway Krone           |                        |
| NZD New Zealand Dollar     |                        |
| OMR Oman Rial              |                        |
| PLN Poland Zloty           |                        |
| QAR Qatar Riyal            |                        |
| RON Romania New Leu        |                        |
| RSD Serbia Dollar          |                        |
| SAR Saudi Arabia Riyal     |                        |
| SEK Sweden Krona           |                        |
| SGD Singapore Dollar       |                        |
| SKK Slovakia Koruna        |                        |
| TND Tunisia Dollar         |                        |
| TRY Turkey Lira            |                        |
| USD U.S. Dollar            |                        |
| XOF West African CFA Franc |                        |
| ZAR South Africa Rand      |                        |
| ZWD Zimbabwe Dollar        |                        |

Pursuant to CFTC Regulation 40.2, this submission includes:

- (i) A copy of the submission cover sheet;
- (ii) The intended listing date: April 3, 2017;
- (iii) A certification that: (1) the Contracts comply with the Commodity Exchange Act (“CEA”) and CFTC regulations thereunder, and (2) TR SEF posted a notice of pending certification with the CFTC and a copy of this submission on TR SEF’s website concurrent with this submission (*see Schedule 1*);
- (iv) A concise explanation and analysis of the Contracts and their compliance with applicable provisions of the CEA, including Core Principles, and the CFTC’s regulations thereunder (*see Schedule 2*); and
- (v) A copy of the Contracts’ rules (*see Schedule 3*).

Please contact me using the information below if you have any questions regarding this submission.

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Sincerely,

A handwritten signature in blue ink, appearing to read "Wayne Pestone", with a stylized flourish at the end.

Wayne Pestone  
Chief Compliance Officer

cc: Nancy Markowitz, Deputy Director, Division of Market Oversight, Exchange and Data Repository Branch

Roger Smith, Special Counsel, Division of Market Oversight  
(Commodity Futures Trading Commission)

**SCHEDULE 1**  
**Certifications**

I hereby certify that: (1) the Cross-Currency Non-Deliverable Forward Contracts comply with the Commodity Exchange Act, 7 U.S.C. § 1 *et seq.* and the Commodity Futures Trading Commission's regulations promulgated thereunder; and (2) concurrent with this submission, Thomson Reuters (SEF) LLC has posted on its website: (a) a notice of pending certification of the Cross-Currency Non-Deliverable Forward Contracts; and (b) a copy of this submission.



By: Wayne Pestone  
Title: Chief Compliance Officer  
Date: March 24, 2017

## **SCHEDULE 2**

### **Explanation and Analysis**

*All capitalized terms not otherwise defined in this Schedule 2 shall have the meanings ascribed to them in Schedule 3 (Contract Terms).*

#### **I. Contract Description**

The Cross-Currency Non-Deliverable Forward contracts (the “Contracts”) are non-deliverable forward (“NDF”) contracts that settle in certain deliverable currencies other than US dollars. NDFs are cash settled foreign exchange forwards between two counterparties, typically used to either hedge or speculate against currencies where exchange controls in a particular country make it difficult for market participants to trade in the spot market directly. NDFs may also be based on two currencies that are not subject to exchange controls.

Counterparties to the Contracts will not exchange the underlying currencies. Instead, the entire deal is settled in the specified Settlement Currency. Settlement for the Contract will be arranged by calculating the difference between the Forward Rate, which is agreed upon between the counterparties at the start of the contract, and the prevailing Spot FX Rate, on the Fixing Date. The difference is then multiplied by the notional amount, which is also determined at the start of the contract, to arrive at the settlement amount. Cash settlement of the settlement amount will be due on the Settlement Date.

#### **II. Compliance with Applicable Provisions of the CEA and CFTC Regulations**

Thomson Reuters (SEF) LLC (“TR SEF”) has determined that the Core Principles identified below apply to the Contracts. As required by CFTC Regulation § 40.2(a), the following analysis therefore demonstrates that the Contracts are compliant with applicable provisions of the CEA and CFTC regulations and policies thereunder.

##### **Core Principle 2 – Compliance with Rules**

- TR SEF intends to list the Contracts on its swap execution facility (“SEF”) platform. All of TR SEF’s rules in the TR SEF rulebook will apply to the Contracts if they are listed.
- Chapter 9 of the TR SEF rulebook prohibits abusive trading practices in any contract approved for trading on the TR SEF platform. The TR SEF rulebook is enforced by TR SEF’s Market Regulation Department (which includes TR SEF compliance employees as well as the National Futures Association (“NFA”). Chapter 10 of the TR SEF rulebook sets forth the rules governing investigations and prosecutions of rule violations.
- Under TR SEF Rule 311, any person accessing the SEF platform, entering orders into the platform or submitting any contracts into the platform, whether directly or through an intermediary, agrees to, among other things: (1) be bound by, and comply with, the SEF rules and obligations and applicable law, in each case to the extent applicable to it; (2) become subject to TR SEF’s jurisdiction with respect to any and all matters arising from, related to, or in connection with, the status, actions or omissions of such person; (3) permit TR SEF and the NFA to access any and all information relevant to activities

related to the SEF business; and (4) assist TR SEF in complying with its legal and regulatory obligations, cooperate with TR SEF and the CFTC in any inquiry, investigation, audit, examination or proceeding.

### **Core Principle 3 – Swaps Not Readily Susceptible to Manipulation**

- As noted above, the Contracts are NDF contracts where the counterparties arrange settlement by calculating the difference between the Forward Rate and the prevailing Spot FX Rate on the Fixing Date. As such, the reference price is the prevailing Spot FX Rate on the date and time in which the parties agree that the comparison will be made (*i.e.*, the Fixing Date). Depending on the Reference Currencies and Settlement Currency, the source for the Spot FX Rate on the Fixing Date will be derived from either of, or a combination of (1) the spot rate identified in the relevant EMTA, Inc. (“EMTA”) Template for the applicable Non-Deliverable Currency assuming USD as the Settlement Currency (the “Non-Deliverable Spot Rate”), and (2) the WM/Reuters 4:00 pm Closing Spot Rate for the applicable Deliverable Currency against USD.
- According to WM/Reuters, the primary source of rates is actual traded rates taken from Thomson Reuters Matching, EBS and Currenex. The secondary source of rates is the rates on the order matching systems of Thomson Reuters Matching, EBS and Currenex “Order rates/Orders.” Bank quotes from Reuters RICs will be captured for instances where neither Trades nor Orders are available.<sup>1</sup>
- According to WM/Reuters, Thomson Reuters undertakes a periodic review of the appropriateness of using specific data suppliers to provide the data used in the calculation and validation of the benchmark rates. This review is intended to, among other things, assist in ensuring that: (1) the benchmark rates are based on reliable and observable market data that reflect the economic realities of a given market, and (2) that the benchmark rates themselves are reliable representations of the foreign exchange market.<sup>2</sup>
- 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.”<sup>3</sup> Because the WM Closing Spot Rates generally are calculated based on actual orders and trades from market leading platforms, such rates are less susceptible to manipulation than rates derived from a survey-based method. Due to the volumes of trades on these platforms, manipulation of those rates would require significant resources and would be very difficult to achieve. Therefore, for the reasons set forth above, TR SEF does not believe that the Contracts are readily susceptible to manipulation.

### **Core Principle 4 - Monitoring of Trading and Trade Processing**

- Pursuant to TR SEF Rule 406, TR SEF will monitor trading on the Platform in order to prevent manipulation, price distortion, and disruptions of the delivery or cash settlement

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<sup>1</sup> See WM/Reuters FX Benchmarks, Spot & Forward Rates Methodology Guide at 9, available at <http://financial.thomsonreuters.com/content/dam/openweb/documents/pdf/financial/wm-reuters-methodology.pdf>.

<sup>2</sup> *Id.* at 6.

<sup>3</sup> *Id.* at 5.

process through surveillance, compliance, and disciplinary practices and procedures, including through the real-time monitoring of trading, and comprehensive trade reconstruction.

### **Core Principle 5 - Ability to Obtain Information**

- Chapter 5 of the TR SEF Rulebook sets forth the requirements of Participants to maintain documents and keep documents and information available for inspection by TR SEF or the Commission. Rule 502 requires Participants to make certain disclosures to TR SEF immediately upon the occurrence of certain events. Under Rule 503, TR SEF may, directly or through the NFA, inspect a Participant's systems, equipment and software, access a Participant's systems, equipment, software, or premises, and copy or reproduce certain Participant data. In addition, Rule 503 authorizes the Market Regulation Department to require a Participant to furnish information concerning the Participant's Platform Activity, including furnishing the Terms Incorporated by Reference, and/or examine the books and records of any Participant. Additionally, under Rule 205(e), the Chief Compliance Officer may, directly or through the NFA, inspect the books and records of any Participant or require any Participant to appear before him or her and produce its books and records and answer questions regarding alleged violations of TR SEF Rules.

### **Core Principle 6 - Position limits or accountability**

- TR SEF Rule 924 provides for the SEF's authority to adopt position limits or position accountability levels for speculators, the prohibition of positions in excess of limits, and the positions to which the limits shall apply. Through discussions with Commission Staff and the Chief Compliance Officers from twenty-two SEFs, it was determined that each SEF would establish rules consistently regarding the setting of position limits and accountability levels. The language contained in TR SEF Rule 924 arose out of those discussions. As part of those discussions, twenty-one of the twenty-two SEFs submitted an explanatory discussion identifying a number of inherent limitations for a SEF to adopt position limits or accountability levels at this time for swaps, which are more fully set out in TR SEF Submission 15-05 (Dec. 22, 2015). Subsequently, in its re-proposed position limits rules, the CFTC has proposed that until a SEF has access to sufficient swap position information, it need not demonstrate compliance with Core Principle 6(B). *See Position Limits for Derivatives, Reproposal*, 81 Fed. Reg. 96704, 96963 (Dec. 30, 2016) (Appendix B to Part 37 – Guidance on, and Acceptable Practices in, Compliance with Core Principles, Core Principle 6).

### **Core Principle 7 - Financial integrity of transactions**

- TR SEF does not list swaps that are subject to the mandatory clearing requirement under Section 2(h)(1) of the CEA.

### **Core Principle 9 - Timely publication of trading information**

- TR SEF will submit timely reports regarding the Contract to a registered swap data repository as prescribed in Parts 43 and 45 of the CFTC's Regulations.
- TR SEF will record, report and publish on its website all data required by Part 16 of the CFTC's regulations.



**SCHEDULE 3**  
**Contract Terms**

| <b>Cross-Currency NDF Contract Terms</b>          |   |
|---|---|
| Contract Overview                                 | A cross-currency non-deliverable forward (“NDF”) is an outright forward contract in which counterparties settle the difference between the contracted NDF price or rate and the prevailing spot price or rate on an agreed notional amount, and where settlement may be performed in certain currencies other than USD.   |
| Reference Currency 1<br>&<br>Reference Currency 2 | <p><b>Non Deliverable Currencies</b></p> <p>ARS Argentine Peso<br/>           BRL Brazilian Real<br/>           CLP Chilean Peso<br/>           CNY Chinese Renminbi<br/>           COP Colombian Peso<br/>           EGP Egyptian Pound<br/>           GTQ Guatemalan Quetzal<br/>           IDR Indonesian Rupiah<br/>           INR Indian Rupee<br/>           KES Kenya Shilling<br/>           KRW South Korean Won<br/>           KZT Kazakh Tenge<br/>           MYR Malaysian Ringgit<br/>           PEN Peruvian Nuevo Sol<br/>           PHP Philippine Peso<br/>           PKR Pakistan Rupee<br/>           RUB Russian Ruble<br/>           THB Thai Baht<br/>           TWD Taiwan Dollar<br/>           UAH Ukrainian Hryvnia<br/>           UYU Uruguayan Peso<br/>           VEF Venezuelan Bolívar<br/>           VND Vietnamese Dong</p> <p><b>Deliverable Currencies</b></p> <p>AED United Arab Emirates<br/>           Dirham<br/>           AUD Australia Dollar<br/>           BGN Bulgaria Lev<br/>           BWP Botswana Pula<br/>           CAD Canada Dollar<br/>           CHF Switzerland Franc<br/>           CNH Offshore Chinese Renminbi<br/>           CZK Czech Republic Koruna<br/>           DKK Denmark Krone</p> |

|                     |  |
|---------------------|--|
|                     | EEK Estonia Kroon<br>EUR Euros<br>GBP United Kingdom Pound<br>HKD Hong Kong Dollar<br>HRK Croatia Kuna<br>HUF Hungary Forint<br>ILS Israel Shekel<br>ISK Iceland Krona<br>JMD Jamaica Dollar<br>JOD Jordan Dinar<br>JPY Japan Yen<br>KWD Kuwait Dinar<br>LKR Sri Lanka Rupee<br>LVL Latvia Lats<br>MAS Morocco Dirham<br>MUR Mauritius Rupee<br>MXN Mexico Peso<br>NOK Norway Krone<br>NZD New Zealand Dollar<br>OMR Oman Rial<br>PLN Poland Zloty<br>QAR Qatar Riyal<br>RON Romania New Leu<br>RSD Serbia Dollar<br>SAR Saudi Arabia Riyal<br>SEK Sweden Krona<br>SGD Singapore Dollar<br>SKK Slovakia Koruna<br>TND Tunisia Dollar<br>TRY Turkey Lira<br>USD U.S. Dollar<br>XOF West African CFA Franc<br>ZAR South Africa Rand<br>ZWD Zimbabwe Dollar |
| Settlement Currency | AUD Australia Dollar<br>CAD Canada Dollar<br>CHF Switzerland Franc<br>DKK Denmark Krone<br>EUR Euros<br>GBP United Kingdom Pound<br>HKD Hong Kong Dollar<br>JPY Japan Yen<br>MXN Mexico Peso<br>NOK Norway Krone<br>NZD New Zealand Dollar<br>PLN Poland Zloty   |

|  |   |
|--|---|
|  | SEK Sweden Krona<br>SGD Singapore Dollar<br>ZAR South Africa Rand<br>BRL Brazilian Real<br>CNY Chinese Renminbi<br>INR Indian Rupee<br>KES Kenya Shilling<br>KZT Kazakh Tenge<br>PKR Pakistan Rupee |
| Quoting Convention and Minimum Increment | Notional amount, as agreed by the counterparties  |
| Minimum Size                             | Notional amount, as agreed by the counterparties  |
| Notional Currency                        | Currency in which the contract size is expressed in   |
| Trading Conventions                      | Buy or Sell which refers to the contract size expressed in Notional Currency  |
| Forward Rate                             | The currency exchange rate expressed as the amount of Reference Currency 1 per unit of Reference Currency 2 per unit of Settlement Currency   |
| Trade Date                               | The date on which parties enter into the contract   |
| Settlement Date                          | Specified settlement or payment date  |
| Fixing Date                              | The date at which the Forward Rate is calculated  |
| Settlement Procedure                     | Bilateral settlement performed in the Settlement Currency   |
| Clearing Venue                           | Bilateral   |
| Block Size                               | As set forth in Appendix F to Part 43 of the CFTC Regulations   |
| Speculative Limits                       | As set forth in CFTC 17 CFR Part 150  |
| Reportable Levels                        | As set forth in CFTC Regulation 15.03   |

### Spot FX Rate Calculation

For Cross-Currency NDFs consisting of a Deliverable and Non-Deliverable Currency as Reference Currencies, a base exchange rate, expressed in USD (the “Base Exchange Rate”) will be derived from a combination of (1) the spot rate identified in the relevant EMTA, Inc. (“EMTA”) Template for the applicable Non-Deliverable Currency assuming USD as the Settlement Currency (the “Non-Deliverable Spot Rate”), and (2) the WM/Reuters 4:00 pm

Closing Spot Rate for the applicable Deliverable Currency against USD; provided, however, that if the WM/Reuters Closing Spot Rate is quoted in units to a non-USD currency, then the Closing Spot Rate shall be converted to USD in accordance with Section 6 of the WM/Reuters Spot & Forward Rates Methodology Guide, as amended and supplemented from time to time, or any successor thereto. The Non-Deliverable Spot Rate shall incorporate all of the EMTA template terms then in effect as recommended by EMTA or a recognized successor that are applicable to the Non-Deliverable Currency (assuming USD as the Settlement Currency). The Spot FX Rate will then be derived from the WM/Reuters 4:00 pm Closing Spot Rate for the Settlement Currency against the Base Exchange Rate; provided, however, that if the WM/Reuters Closing Spot Rate is quoted in units to a non-USD currency, then the Closing Spot Rate shall be converted to USD in accordance with Section 6 of the WM/Reuters Spot & Forward Rates Methodology Guide, as amended and supplemented from time to time, or any successor thereto.

For Cross-Currency NDFs consisting of two Non-Deliverable Currencies as Reference Currencies, the Base Exchange Rate will be derived from a combination of the Non-Deliverable Spot Rate for each of the applicable Non-Deliverable Currencies, assuming USD as the Settlement Currency. The Base Exchange Rate shall incorporate all of the EMTA template terms then in effect as recommended by EMTA or a recognized successor that are applicable to the Non-Deliverable Component Pair (assuming USD as the Settlement Currency). The Spot FX Rate will then be derived from the WM/Reuters 4:00 pm Closing Spot Rate for the Settlement Currency against the Base Exchange Rate; provided, however, that if the WM/Reuters Closing Spot Rate is quoted in units to a non-USD currency, then the Closing Spot Rate shall be converted to USD in accordance with Section 6 of the WM/Reuters Spot & Forward Rates Methodology Guide, as amended and supplemented from time to time, or any successor thereto.

For Cross-Currency NDFs consisting of two Deliverable Currencies as Reference Currencies, the Base Exchange Rate will be derived from a combination of the WM/Reuters 4:00 pm Closing Spot Rate for both of the applicable Deliverable Currencies against USD; provided, however, that if the WM/Reuters Closing Spot Rate for one or both Deliverable Currencies is quoted in units to a non-USD currency, then the Closing Spot Rate for such currency or currencies shall be converted to USD in accordance with Section 6 of the WM/Reuters Spot & Forward Rates Methodology Guide, as amended and supplemented from time to time, or any successor thereto. The Spot FX Rate will then be derived from the WM/Reuters 4:00 pm Closing Spot Rate for the Settlement Currency against the Base Exchange Rate; provided, however, that if the WM/Reuters Closing Spot Rate is quoted in units to a non-USD currency, then the Closing Spot Rate shall be converted to USD in accordance with Section 6 of the WM/Reuters Spot & Forward Rates Methodology Guide, as amended and supplemented from time to time, or any successor thereto.