



MarketAxess SEF Corporation  
299 Park Avenue, 10th Floor  
New York, NY 10171

January 13, 2015

Submitted Via Email

Office of the Secretariat  
Commodity Futures Trading Commission  
Three Lafayette Centre  
1155 21<sup>st</sup> Street, N.W.  
Washington, DC 20581  
secretary@cftc.gov

RE: Listing Products for Trading by Certification Pursuant to CFTC Rule 40.2

To Whom it May Concern:

MarketAxess SEF Corporation intends to list for trading the products attached in Appendix A hereto starting on January 26, 2015. MarketAxess SEF Corporation certifies that each of the products it will list complies with the Commodity Exchange Act (“CEA”) and Commodity Futures Trading Commission (“Commission” or “CFTC”) Regulations thereunder. MarketAxess SEF Corporation also certifies that, concurrent with filing this submission with the Commission, MarketAxess SEF Corporation posted a notice of pending product certification with the Commission and a copy of the submission on its website.

I. Terms and Conditions

A. Terms and Conditions of Specific Products

A copy of the terms and conditions for each product that will be listed on the MarketAxess SEF starting on January 26, 2015 is attached as Appendix A. The terms and conditions applicable to all products that will be listed for trading on the MarketAxess SEF starting on January 26, 2015 are described below.

B. Terms and Conditions Applicable to All Products Listed in Appendix A

Each of the following terms and conditions applies to all products listed in Appendix A hereto:

1. The trading hours are 3:00 am – 5:30 pm EST Monday through Friday.
2. Minimum size is as agreed to by counterparties.

3. There are no daily price limits.
4. Price fluctuations are decimalized to two decimal points.
5. There are no maximum price fluctuation limits.
6. MarketAxess SEF Corporation will comply with the requirements of 17 C.F.R. 15.03 with respect to reportable levels.
7. Pursuant to the MarketAxess SEF Corporation Rulebook, MarketAxess SEF Corporation has the authority to adopt position limits or position accountability levels. Currently, no speculative position limits are required by Parts 150 or 151 of the Commission's regulations. Therefore, MarketAxess SEF Corporation has not adopted any position limits or position accountability levels.
8. Settlement and payment is as agreed to by counterparties. If exercised, the option will be submitted for clearing and will become two cleared swaps as a result of this life cycle event.<sup>1</sup>

## II. Explanation of Compliance with the CEA and Commission Regulations Thereunder

MarketAxess SEF Corporation will continue to comply with the CEA and Commission regulations thereunder when listing the products included in Appendix A. MarketAxess SEF Corporation intends to list option contracts on the credit indices described below. The indices listed below are highly liquid indices that are not readily susceptible to manipulation. The composition and weighting of each index is governed by Markit's rules, making it extremely difficult to manipulate.

Each index for which MarketAxess SEF Corporation will list option contracts is a reliable indicator of market values and conditions. Each index is highly regarded by the industry. Markit calculates each referenced price index used by MarketAxess SEF Corporation. Markit uses business practices that minimize the opportunity or incentive to manipulate the cash-settlement price series. Furthermore, Markit's cash-settlement calculation involves computational procedures that eliminate or reduce the impact of potentially unrepresentative data.

Markit Credit Indices are made up of the most liquid entities in the relevant single-name CDS market. The indices roll on a semi-annual basis, and the composition of each new series (a new index) is established based on a transparent set of rules designed to ensure that the current series tracks the most liquid instruments in the relevant market.

### A. Description of Each Index

#### 1. CDX EM Index

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<sup>1</sup> If the underlying swap is not subject to a clearing mandate, this may vary.

The CDX.EM Index is composed of sovereign issuers (“Issuers”) from three regions: (i) Latin America; (ii) Eastern Europe, the Middle East, and Africa; and (iii) Asia.<sup>2</sup> The composition of the EM Index shall be determined based on submissions by each member of Markit that elects to participate in the determination of the EM Index on a continuing basis.<sup>3</sup> Markit asks members to identify: (i) those Issuers not in the then current EM Index which the member wishes to be added to the next EM Index; (ii) those Issuers in the then current EM Index that the member believes should be eliminated from the EM Index; and (iii) whether the member wishes to change the weightings of the next EM Index even if the Issuers in the EM Index do not change.<sup>4</sup> A member should only propose the elimination of an Issuer from the EM Index when the member believes the Issuer’s outstanding debt or credit default swap contracts in respect of that Issuer have become materially less liquid.<sup>5</sup> If three or more members propose to eliminate an Issuer, add an Issuer, or change the weightings of the EM Index, Markit will solicit a vote by members.<sup>6</sup> After the composition of the new EM Index for the next six-month period has been finalized, Markit will identify a single reference obligation of each Issuer in the EM Index senior in priority of payment based on the Reference Entity Database.<sup>7</sup> If the members vote to change the weightings of the next EM Index, the members will vote on the weightings to be associated with each Issuer in the EM Index.<sup>8</sup> The weightings of all Issuers must total 100%.<sup>9</sup> Four business days prior to the Roll Date, Markit will publish to the public and members the composition of the new EM Index.<sup>10</sup> Three business days prior to the Roll Date, Markit will determine the fixed rate for the maturity of the new EM Index.<sup>11</sup> Markit will solicit each member to submit an average spread for such maturity and select the median of those submissions.<sup>12</sup> Markit will then publish a draft of the EM Index to members before publishing the final EM Index to the public.<sup>13</sup>

## 2. North American Investment Grade CDX Index

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<sup>2</sup> See “Index Methodology for the CDX Emerging Markets Index, Published as of March 1, 2013,” available at <http://www.markit.com/assets/en/docs/products/data/indices/credit-index-annexes/Markit%20CDX%20EM%20Rules%20Mar%202013.pdf>.

<sup>3</sup> See *id.* at 1.

<sup>4</sup> See *id.* at 3.

<sup>5</sup> See *id.*

<sup>6</sup> See *id.*

<sup>7</sup> See *id.* at 4.

<sup>8</sup> See *id.* at 5.

<sup>9</sup> See *id.*

<sup>10</sup> See *id.*

<sup>11</sup> See *id.*

<sup>12</sup> See *id.*

<sup>13</sup> See *id.*

The composition of Markit's North American Investment Grade CDX Index is determined by Markit in accordance with the rules and methodologies set forth in Markit CDX High Yield & Markit CDX Investment Grade Index Rules.<sup>14</sup>

Markit's North American Investment Grade CDX Index is composed of one hundred and twenty five of the most liquid North American entities with investment grade credit ratings that trade in the CDS market.<sup>15</sup> When establishing a new index, Markit creates a Liquidity List after each publication of the *6 month Analysis Top 1,000 Single Names* report published by DTCC.<sup>16</sup> Markit creates the Liquidity List by using the average weekly trading activity measured in the then-current DTCC report and: (a) determining all entities for which single-name CDS are traded under the Standard North American Corporate Transaction Type (as defined in the 2003 ISDA Credit Derivatives Definitions); (b) including on the list the entities that have been assigned a Relevant Rating of "BBB-" or "Baa3" or above; (c) ranking the entities resulting from (a) and (b) from the most liquid to the least liquid, based on the notional market risk activity as listed in the relevant DTCC report.<sup>17</sup> Markit then uses certain general criteria, exclusions, and inclusions detailed in the Rules to create a new IG Index.<sup>18</sup> Markit publishes the Provisional IG Index on its website for comment.<sup>19</sup> Based on comments, Markit determines whether amendments are necessary.<sup>20</sup> After the composition of the IG Index has been finalized, Markit will identify a single reference obligation for each entity in the IG Index, senior in priority of payment, based on the Reference Entity Database.<sup>21</sup> Markit then publishes the new index.

### 3. North American High Yield CDX Index

The composition of Markit's North American High Yield CDX Index is determined by Markit in accordance with the rules and methodologies set forth in Markit CDX High Yield & Markit CDX Investment Grade Index Rules.<sup>22</sup>

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<sup>14</sup> See "Markit CDX High Yield & Markit CDX Investment Grade Index Rules, March 2013," available at <http://www.markit.com/assets/en/docs/products/data/indices/credit-index-annexes/Markit%20CDX%20HY%20and%20IG%20Rules%20Mar%202013.pdf>.

<sup>15</sup> See *id.* at 3.

<sup>16</sup> See *id.* at 10.

<sup>17</sup> See *id.*

<sup>18</sup> See *id.* at 10-13.

<sup>19</sup> See *id.* at 13.

<sup>20</sup> See *id.*

<sup>21</sup> See *id.* at 14.

<sup>22</sup> See "Markit CDX High Yield & Markit CDX Investment Grade Index Rules, March 2013," available at <http://www.markit.com/assets/en/docs/products/data/indices/credit-index-annexes/Markit%20CDX%20HY%20and%20IG%20Rules%20Mar%202013.pdf>.

Markit's North American High Yield CDX Index is composed of one hundred liquid North American entities with high yield credit ratings that trade in the CDS market.<sup>23</sup> When establishing a new index, Markit creates a Liquidity List after each publication of the 6 month Analysis Top 1,000 Single Names report published by DTCC.<sup>24</sup> Markit creates the Liquidity List by using the average weekly trading activity measured in the then-current DTCC report and: (a) determining all entities for which single-name CDS are traded under the Standard North American Corporate Transaction Type (as defined in the 2003 ISDA Credit Derivatives Definitions); (b) including on the list the entities that have been assigned a Relevant Rating of below "BBB-" or "Baa3"; (c) ranking the entities resulting from (a) and (b) from the most liquid to the least liquid, based on the notional market risk activity as listed in the relevant DTCC report.<sup>25</sup> Markit then uses certain general criteria, exclusions, and inclusions detailed in the Rules to create a new HY Index.<sup>26</sup> Markit publishes the Provisional HY Index on its website for comment.<sup>27</sup> Based on comments, Markit determines whether amendments are necessary.<sup>28</sup> After the composition of the HY Index has been finalized, Markit will identify a single reference obligation for each entity in the HY Index, senior in priority of payment, based on the Reference Entity Database.<sup>29</sup> Markit then publishes the new index.

#### 4. iTraxx Europe Index

The composition of the iTraxx Europe Index is determined by Markit in accordance with the rules and methodologies set forth in Markit iTraxx Europe Index Rules.<sup>30</sup>

The Markit iTraxx Europe Index is composed of one hundred twenty five liquid European entities with investment grade credit ratings that trade in the CDS market.<sup>31</sup> When establishing a new index, Markit creates the Markit iTraxx Europe Liquidity List after each publication of the 6 month Analysis Top 1,000 Single Names report published by DTCC.<sup>32</sup> Markit creates the Liquidity List by using the average weekly trading activity measured in the then-current DTCC report and: (a) determining all entities that: (i) are incorporated in Europe; (ii) are classified with

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<sup>23</sup> See *id.* at 3.

<sup>24</sup> See *id.* at 5.

<sup>25</sup> See *id.*

<sup>26</sup> See *id.* at 6-9.

<sup>27</sup> See *id.* at 9.

<sup>28</sup> See *id.*

<sup>29</sup> See *id.* at 14.

<sup>30</sup> See "Markit iTraxx Europe Index Rules, August 2013," available at <http://www.markit.com/assets/en/docs/products/data/indices/credit-and-loan-indices/iTraxx/Markit%20iTraxx%20Europe%20Index%20Rules%20S19.pdf>.

<sup>31</sup> See *id.* at 3.

<sup>32</sup> See *id.* at 6.

the “DC Region” as “Europe” in the DTCC Report; (iii) demonstrate trading activity greater than zero during the last eight weeks; (iv) have an investment grade Relevant Rating as defined in the Markit iTraxx Europe Index Rules; (b) ranking those entities meeting the criteria in (a), from the most liquid to the least liquid, based on the notional market risk activity as listed in the relevant DTCC Report.<sup>33</sup> Markit then uses certain general criteria detailed in the Markit iTraxx Europe Index Rules to create a new iTraxx Europe Index.<sup>34</sup> Markit publishes the Provisional Markit iTraxx Europe Index on its website for comment.<sup>35</sup> Based on comments, Markit determines whether amendments are necessary.<sup>36</sup> Markit then publishes the new index.

## 5. iTraxx Senior Financials

The Markit iTraxx Senior Financials comprises the twenty five financial entities from the Markit iTraxx Europe index referencing senior debt.<sup>37</sup> It is a sub-index of the Markit iTraxx Europe Index and is governed by the Markit iTraxx Europe Index Rules.<sup>38</sup>

## 6. iTraxx Crossover Index

The composition of the iTraxx Crossover Index is determined by Markit in accordance with the rules and methodologies set forth in the Markit iTraxx Europe Index Rules.<sup>39</sup>

The Markit iTraxx Crossover Index is composed of up to fifty European entities with non-investment grade credit ratings that trade in the CDS market.<sup>40</sup> When establishing a new index, Markit creates the Markit iTraxx Crossover Liquidity List after each publication of the *6 month Analysis Top 1,000 Single Names* report published by DTCC.<sup>41</sup> Markit creates the Liquidity List by using the average weekly trading activity measured in the then-current DTCC report and: (a) determining all entities that: (i) are incorporated in Europe; (ii) are classified with the “DC Region” as “Europe” in the DTCC Report; (iii) demonstrate trading activity greater than zero during the last eight weeks; (iv) have a below investment grade Relevant Rating as defined in the Markit iTraxx Europe Index Rules; (v) are not guaranteed or controlled by (directly or indirectly)

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<sup>33</sup> *See id.*

<sup>34</sup> *See id.* at 6-8.

<sup>35</sup> *See id.* at 8.

<sup>36</sup> *See id.*

<sup>37</sup> *See id.* at 8.

<sup>38</sup> *See id.*

<sup>39</sup> *See* “Markit iTraxx Europe Index Rules, August 2013,” *available at* <http://www.markit.com/assets/en/docs/products/data/indices/credit-and-loan-indices/iTraxx/Markit%20iTraxx%20Europe%20Index%20Rules%20S19.pdf>.

<sup>40</sup> *See id.* at 3.

<sup>41</sup> *See id.* at 9.


and do not guarantee or control (directly or indirectly) an affiliate that has a higher ranking on the Markit iTraxx Crossover Liquidity List and otherwise satisfies the relevant criteria; (b) ranking those entities meeting the criteria in (a), from the most liquid to the least liquid, based on the notional market risk activity as listed in the relevant DTCC Report.<sup>42</sup> Markit then uses certain general criteria detailed in the Markit iTraxx Europe Index Rules to create a new iTraxx Crossover Index.<sup>43</sup> If fewer than fifty entities are available from the Markit iTraxx Crossover Liquidity List that satisfy the criteria, the Markit iTraxx Europe Index Rules provide for the creation of a Supplementary List.<sup>44</sup> The list of entities resulting from the steps above will be published on Markit's website for comment.<sup>45</sup> Based on comments, Markit determines whether amendments are necessary.<sup>46</sup> Markit then publishes the new index.

B. MarketAxess SEF Corporation Trading Halts

Pursuant to the MarketAxess SEF Corporation Rulebook, MarketAxess SEF Corporation has the authority to pause trading in any MarketAxess SEF Swap or restrict the trading of any participant in any or all MarketAxess SEF Swap(s) if doing so prevents market disruptions or price distortions or if requested to do so by the CFTC or any Clearing House.

C. MarketAxess SEF Corporation Emergency Rules

MarketAxess SEF Corporation has adopted rules addressing who is authorized to declare an emergency, how it will notify the CFTC of its decision that an emergency exists, and how it will address conflicts of interest in the exercise of emergency authority.

By:   
Ron Steinfeld  
Chief Compliance Officer  
MarketAxess SEF Corporation  
January 13, 2015

cc: Division of Market Oversight (Email: dmosubmissions@cftc.gov)  
Nancy Markowitz  
Brian Robinson  
Jasmine Lee  
Thomas Leahy

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<sup>42</sup> See *id.*

<sup>43</sup> See *id.* at 10-11.

<sup>44</sup> See *id.* at 11.

<sup>45</sup> See *id.* at 14.

<sup>46</sup> See *id.*

## Appendix A

### CDX.EM Option Contract

**Contract Description** Agreement to buy or sell the right to exercise into a swap on the CDX.EM index made up of sovereign issuers from Latin America, Eastern Europe, the Middle East, Africa and Asia as published by Markit from time to time at a predetermined level as agreed to by the counterparties

**Contract Months** Any calendar month

**Price Quotation** Option premium is quoted in cents

**Currency** USD

**Listing Cycle** Tenors of 1 through 10 years based on liquidity

**Series** All Series not yet expired, initiated with series 1, based on liquidity

**First Trade Date** Date of contract listing

**Last Trade Date** (Expiration Date) The third (3<sup>rd</sup>) Wednesday of the contact month, cannot be longer in duration than the last trade date of the referenced index

**Option Style** European

### CDX.NA.HY Option Contract

**Contract Description** Agreement to buy or sell the right to exercise into a swap on the CDX.NA.HY index made up one hundred (100) liquid North American entities with high yield credit ratings as published by Markit from time to time at a predetermined level as agreed to by the counterparties

**Contract Months** Any calendar month

**Price Quotation** Option premium is quoted in cents

**Currency** USD

**Listing Cycle** Tenors of 1 through 10 years based on liquidity

**Series** All Series not yet expired, initiated with series 1, based on liquidity

**First Trade Date** Date of contract listing

**Last Trade Date** (Expiration Date) The third (3<sup>rd</sup>) Wednesday of the contact month, cannot be longer in duration than the last trade date of the referenced index

**Option Style** European

### CDX.NA.IG Option Contract

**Contract Description** Agreement to buy or sell the right to exercise into a swap on the CDX.NA.IG index made up of one hundred twenty five (125) of the most liquid North American entities with investment grade credit ratings as published by Markit from time to time

**Contract Months** Any calendar month

**Price Quotation** Option premium is quoted in cents

**Currency** USD

**Listing Cycle** Tenors of 1 through 10 years based on liquidity



**Series** All Series not yet expired, initiated with series 1, based on liquidity  
**First Trade Date** Date of contract listing  
**Last Trade Date** (Expiration Date) The third (3rd) Wednesday of the contact month, cannot be longer in duration than the last trade date of the referenced index  
**Option Style** European

#### **iTraxx Europe Option Contract**

**Contract Description** Agreement to buy or sell the right to exercise into a swap on the iTraxx Europe index made up of one hundred twenty five (125) of the most liquid European entities with investment grade credit ratings as published by Markit from time to time

**Contract Months** Any calendar month

**Price Quotation** Option premium is quoted in cents

**Currency** EUR

**Listing Cycle** Tenors of 1 through 10 years based on liquidity

**Series** All Series not yet expired, initiated with series 1, based on liquidity

**First Trade Date** Date of contract listing

**Last Trade Date** (Expiration Date) The third (3rd) Wednesday of the contact month, cannot be longer in duration than the last trade date of the referenced index

**Option Style** European

#### **iTraxx Europe Crossover Option Contract**

**Contract Description** Agreement to buy or sell the right to exercise into a swap on the iTraxx Europe Crossover index made up of fifty (50) European entities with non-investment grade credit ratings as published by Markit from time to time

**Contract Months** Any calendar month

**Price Quotation** Option premium is quoted in cents

**Currency** EUR

**Listing Cycle** Tenors of 1 through 10 years based on liquidity

**Series** All Series not yet expired, initiated with series 1, based on liquidity

**First Trade Date** Date of contract listing

**Last Trade Date** (Expiration Date) The third (3rd) Wednesday of the contact month, cannot be longer in duration than the last trade date of the referenced index

**Option Style** European

#### **iTraxx Europe Senior Financials Option Contract**

**Contract Description** Agreement to buy or sell the right to exercise into a swap on the iTraxx Europe Senior Financials index made up of twenty five (25) European financial entities from the iTraxx Europe index referencing senior debt as published by Markit from time to time

**Contract Months** Any calendar month

**Price Quotation** Option premium is quoted in cents

**Currency** EUR

**Listing Cycle** Tenors of 1 through 10 years based on liquidity

**Series** All Series not yet expired, initiated with series 1, based on liquidity

**First Trade Date** Date of contract listing

**Last Trade Date** (Expiration Date) The third (3rd) Wednesday of the contract month, cannot be longer in duration than the last trade date of the referenced index

**Option Style** European