Bloomberg SEF LLC
New Contract Submission 2024-P-5
September 13, 2024

1. The terms and conditions for **Eighteen (18) Foreign Exchange ("FX") Barrier FX Option Contracts ("Contracts")** are provided in Annex A.

2. The intended listing date is September 27, 2024.

3. Attached, please find a certification that, concurrent with this submission, Bloomberg SEF LLC ("BSEF") posted on its website: (a) a notice of pending certification of this Contract with the U.S. Commodity Futures Trading Commission ("Commission"); and (b) a copy of this submission.

4. Attached, please find a certification that the Contract complies with the Commodity Exchange Act (the "Act") and the Commission regulations thereunder.

5. Capitalized terms used but not defined herein have the meaning ascribed to them in BSEF's Swap Execution Facility ("SEF") Rulebook.

EXPLANATION AND ANALYSIS OF THE CONTRACT'S COMPLIANCE WITH APPLICABLE CORE PRINCIPLES AND COMMISSION REGULATIONS

As required by Commission Regulation § 40.2(a), the following analysis demonstrates that the Contract is consistent with the requirements of the Act and the Commission regulations and policies thereunder (in particular, Appendix B to Part 37 and Appendix C to Part 38, respectively).

A. **Appendix B to Part 37—Demonstration of Compliance That a Contract Is Not Readily Susceptible to Manipulation**

Core Principle 3 of Section 5h of the Act—Swaps Not Readily Susceptible to Manipulation. The swap execution facility shall permit trading only in swaps that are not readily susceptible to manipulation.

(a) Guidance.

(1) In general, a swap contract is an agreement to exchange a series of cash flows over a period of time based on some reference price, which could be a single price, such as an absolute level or a differential, or a price index calculated based on multiple observations. Moreover, such a reference price may be reported by the swap execution facility itself or by an independent third party. When listing a swap for trading, a swap execution facility shall ensure a swap's compliance with Core Principle 3, paying special attention to the reference price used to determine the cash flow exchanges. Specifically, Core Principle 3 requires that

the reference price used by a swap not be readily susceptible to manipulation. As a result, when identifying a reference price, a swap execution facility should either: Calculate its own reference price using suitable and well-established acceptable methods or carefully select a reliable third-party index.

(2) The importance of the reference price's suitability for a given swap is similar to that of the final settlement price for a cash-settled futures contract. If the final settlement price is manipulated, then the futures contract does not serve its intended price discovery and risk management functions. Similarly, inappropriate reference prices cause the cash flows between the buyer and seller to differ from the proper amounts, thus benefitting one party and disadvantaging the other. Thus, careful consideration should be given to the potential for manipulation or distortion of the reference price.

This Contract is a standard barrier foreign exchange option contract for the eighteen (18) currencies listed in the table below ("Currencies"). As is typical of a barrier foreign exchange contract, the buyer has the right, but not the obligation, to exchange money denominated in one currency (the "Reference Currency") for another currency (the "Settlement Currency"). The option, however, can be triggered or extinguished based on whether the Reference Currency spot rate reaches a designated level ("Barrier Rate") prior to the expiration date. The Strike Price means the rate of exchange from converting the unit currency into the quoted currency pre-agreed at the inception of the contract.

The contract can be physically or financially settled. The physical settlement is performed by exchange of the full amount of Reference Currency and the Settlement Currency at the Strike Price. The financial settlement performed by exchanging in the Settlement Currency the difference between the Strike Price and the Fixing Rate on the Fixing Date applied on the agreed put or call amount. Fixing Rate means the rate of exchange from converting the unit currency into the quoted currency determined on the Fixing Date based on the spot exchange rate published by Reference Currency Rate Sources.

The applicable spot exchange rate is published by Bloomberg Index Services Limited ("BISL"), the administrator of the Bloomberg Fixings ("BFIX") Spot, Forward, and NDF rate benchmarks for certain currencies and metals; or Refinitiv Benchmark Services Limited ("Refinitiv"), the administrator of the WM/Refinitiv Spot, Forward and NDF foreign exchange benchmarks (each, a "Publisher").[1] BISL and Refinitiv are authorized by the UK's Financial Conduct Authority to conduct benchmark administration under the UK BMR. BISL and Refinitiv can be found on the FCA Benchmarks Register.

The Contracts are not readily susceptible to manipulation because each of the below Currencies are freely and fully convertible, meaning that they can be used without restriction and exchanged for another currency without restriction. Further, the currencies represent major economies and the central banks of the currencies are members of SWIFT (Society for

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[1] Available at https://www.isda.org/a/e6uTE/Annex-A-Amended-031620.pdf and https://assets.bbhub.io/professional/sites/27/BFIX-Methodology.pdf

Worldwide Interbank Financial Telecommunications) or of the SWIFT Oversight Forum. SWIFT is a member-owned cooperative overseen by the G-10 central banks (Belgium, Canada, France, Germany, Italy, Japan, Netherlands, Sweden, Switzerland, the United Kingdom and the United States). The SWIFT Oversight Forum includes the G-10 central banks and central banks from other major economies including the Reserve Bank of Australia, People's Bank of China, Hong Kong Monetary Authority, Reserve Bank of India, Bank of Korea, Bank of Russia, Saudi Arabian Monetary Agency, Monetary Authority of Singapore, South African Reserve Bank and the Central Bank of the Republic of Turkey. Further, the central banks for these currencies are also members of the Bank of International Settlements.

Code	Currency Name
AUD	Australian Dollar Spot
CAD	Canadian Dollar Spot
CHF	Swiss Franc Spot
CZK	Czech Koruna Spot
GBP	British Pound Spot
HKD	Hong Kong Dollar Spot
HUF	Hungarian Forint Spot
ILS	Israeli Shekel Spot
JPY	Japanese Yen Spot

MXN	Mexican Peso Spot
NOK	Norwegian Krone Spot
NZD	New Zealand Dollar Spot
PLN	Polish Zloty Spot
RON	Romanian Leu Spot
SEK	Swedish Krona Spot
SGD	Singapore Dollar Spot
TRY	Turkish Lira Spot
USD	U.S. Dollar

The terms of the contract are attached as **Annex A** and will be added to Rule 1400 and 1403. As described in Annex A, most terms of the Contract are determined by the counterparties at the inception of the trade (i.e., Reference Currency, Reference Currency Rate Source, Settlement Currency, Barrier Style (American or European), Barrier Direction, Barrier Levels, and the Expiration/Fixing Date). The only terms that are not determined at the inception of the trade are exercise date for an American option and the Fixing Rate for financially settled option. The structure of the Contract follows industry convention; the terms of the Contract match the terms of Barrier FX options contracts that are commonly offered in the market.

As indicated above, this option contract provides several flexible features. First, counterparties are able to choose six different types of barriers:

(a) **Up-and-Out (Barrier)**: In this option, the spot price starts below a specified barrier level (determined by the counterparties) and the holder has the option to exercise the option – at the expiration date/time if the counterparties choose a European option, or anytime up to, and including, the expiration date/time if the counterparties choose an American option – unless the spot price rises to the specified barrier level prior to the expiration date of the option. If the option hits the barrier level, it becomes null and void.

(b) **Down-and-Out (Barrier)**: In this option, the spot price starts above a specified barrier level (determined by the counterparties) and the holder has the option to exercise the option – at the expiration date/time if the counterparties choose a European option, or anytime up to, and including, the expiration date/time if the counterparties choose an American option – unless the spot rate drops to the specified barrier level prior to the expiration date of the option. If the option hits the barrier level, it becomes null and void.

(c) **Up-and-In (Barrier)**: In this option, the spot price starts below a specified barrier level (determined by the counterparties) and the option only becomes effective if it reaches the specified barrier level. If the spot price rises to the barrier level, the holder then has the option to exercise the option at the expiration date/time (if the counterparties chose a European option), or anytime up to, and including, the expiration date/time (if the counterparties choose an American option). If the spot price never hits the barrier level prior to the expiration date, the option is not exercisable.

(d) **Down-and-In (Barrier)**: In this option, the spot price starts above a specified barrier level (determined by the counterparties) and the option only becomes effective if it lowers to the specified barrier level. If the spot price lowers to the barrier level, the holder then has the option to exercise the option at the expiration date/time (if the counterparties choose a European option), or anytime up to, and including, the expiration date/time (if the counterparties choose an American option). If the spot price never reaches the barrier level prior to the expiration date, the option is not exercisable.

B. **Appendix C to Part 38 - Demonstration of Compliance That a Contract Is Not Readily Susceptible to Manipulation.** (All section references in Section B are section references in Appendix C to part 38)

(d) Options on a Futures Contract.

(d)(4) Options on Physicals Contracts.

(d)(4)(i) Under the Commission's regulations, the term "option on physicals" refers to option contracts that do not provide for exercise into an underlying futures contract. Upon exercise, options on physicals can be settled via physical delivery of the underlying commodity or by a cash payment. Thus, options on physicals raise many of the same issues associated with trading in futures contracts regarding adequacy of deliverable supplies or acceptability of the cash settlement price series. In this regard, an option that is cash settled based on the settlement price of a futures contract would be considered an "option on physicals" and the futures settlement price would be considered the cash price series.

(d)(4)(ii) In view of the above, acceptable practices for the terms and conditions of options on physicals contracts include, as appropriate, those practices set forth above for physical-

delivery or cash-settled futures contracts plus the practices set forth for options on futures contracts.

(b)(1)(i) Estimating Deliverable Supplies.

(b)(1)(i)(A) General definition. The specified terms and conditions, considered as a whole, should result in a ''deliverable supply'' that is sufficient to ensure that the contract is not susceptible to price manipulation or distortion. In general, the term ''deliverable supply'' means the quantity of the commodity meeting the contract's delivery specifications that reasonably can be expected to be readily available to short traders and salable by long traders at its market value in normal cash marketing channels at the contract's delivery points during the specified delivery period, barring abnormal movement in interstate commerce. Typically, deliverable supply reflects the quantity of the commodity that potentially could be made available for sale on a spot basis at current prices at the contract's delivery points. For a non-financial physical delivery commodity contract, this estimate might represent product which is in storage at the delivery point(s) specified in the futures contract or can be moved economically into or through such points consistent with the delivery procedures set forth in the contract and which is available for sale on a spot basis within the marketing channels that normally are tributary to the delivery point(s). Furthermore, an estimate of deliverable supply would not include supply that is committed for long-term agreements (i.e., the amount of deliverable supply that would not be available to fulfill the delivery obligations arising from current trading). The size of commodity supplies that are committed to long-term agreements may be estimated by consulting with market participants. However, if the estimated deliverable supply that is committed for long-term agreements, or significant portion thereof, can be demonstrated by the designated contract market to be consistently and regularly made available to the spot market for shorts to acquire at prevailing economic values, then those ''available'' supplies committed for long term contracts may be included in the designated contract market's estimate of deliverable supply for that commodity. An adequate measure of deliverable supply would be an amount the commodity that would meet the normal or expected range of delivery demand without causing futures prices to become distorted relative to cash market prices. Given the availability of acceptable data, deliverable supply should be estimated on a monthly basis for at least the most recent three years for which data are available. To the extent possible and that data resources permit, deliverable supply estimates should be constructed such that the data reflect, as close as possible, the market defined by the contract's terms and conditions, and should be formulated, whenever possible, with government or publicly available data. All deliverable supply estimates should be fully defined, have all underlying assumptions explicitly stated, and have documentation of all data/information sources in order to permit estimate replication by Commission staff.

Foreign currency is an extremely liquid market. There is a nearly inexhaustible supply of the foreign currencies applicable to this Contract. Information about spot FX rates is readily available from a variety of sources including Central Banks, Bloomberg and Reuters.

The Strike Price is determined by the counterparties at the point of entering into a transaction and will not change even if the spot FX exchange rate will change on the expiration date. For this reason, even though observation of the spot FX price may inform a counterparty's decision to exercise the option, the spot FX price on the exercise date will not change the Strike Price. As such, the Contract is not readily susceptible to manipulation.

(b)(1)(i)(B) Accounting for variations in deliverable supplies. To assure the availability of adequate deliverable supplies and acceptable levels of commercial risk management utility, contract terms and conditions should account for variations in the patterns of production, consumption and supply over a period of years of sufficient length to assess adequately the potential range of deliverable supplies. This assessment also should consider seasonality, growth, and market concentration in the production/ consumption of the underlying cash commodity. Deliverable supply implications of seasonal effects are more straightforwardly delineated when deliverable supply estimates are calculated on a monthly basis and when such monthly estimates are provided for at least the most recent three years for which data resources permit. In addition, consideration should be given to the relative roles of producers, merchants, and consumers in the production, distribution, and consumption of the cash commodity and whether the underlying commodity exhibits a domestic or international export focus. Careful consideration also should be given to the quality of the cash commodity and to the movement or flow of the cash commodity in normal commercial channels and whether there exist external factors or regulatory controls that could affect the price or supply of the cash commodity.

Unlike non-financial commodities, foreign currencies are standard and readily available, and are not to subject to variations in the patterns of production, consumption or supply.

(b)(1)(i)(C) Calculation of deliverable supplies. Designated contract markets should derive a quantitative estimate of the deliverable supplies for the delivery period specified in the proposed contract. For commodities with seasonal supply or demand characteristics, the deliverable supply analysis should include that period when potential supplies typically are at their lowest levels. The estimate should be based on statistical data, when reasonably available, covering a period of time that is representative of the underlying commodity's actual patterns of production, patterns of consumption, and patterns of seasonal effects (if relevant). Often, such a relevant time period should include at least three years of monthly deliverable supply estimates permitted by available data resources. Deliverable supply estimates should also exclude the amount of the commodity that would not be otherwise deliverable on the futures contract. For example, deliverable supplies should exclude quantities that at current price levels are not economically obtainable or deliverable or were previously committed for long-term agreements.

Please see above regarding liquidity of underlying market and the voluminous deliverable supply of the applicable foreign currencies. Please note that the Strike Price will not change based on fluctuations of the underlying currency.

(b)(2) Contract terms and conditions requirements for futures contracts settled by physical delivery.

(b)(2)(i) For physical delivery contracts, an acceptable specification of terms and conditions would include, but may not be limited to, rules that address, as appropriate, the following criteria and comply with the associated standards:

(b)(2)(i)(A) Quality Standards. The terms and conditions of a commodity contract should describe or define all of the economically significant characteristics or attributes of the commodity underlying the contract. In particular, the quality standards should be described or defined so that such standards reflect those used in transactions in the commodity in normal cash marketing channels. Documentation establishing that the quality standards of the contract's underlying commodity comply with those accepted/established by the industry, by government regulations, and/or by relevant laws should also be submitted. For any particular commodity contract, the specific attributes that should be enumerated depend upon the individual characteristics of the underlying commodity. These may include, for example, the following items: grade, quality, purity, weight, class, origin, growth, issuer, originator, maturity window, coupon rate, source, hours of trading, etc. If the terms of the contract provide for the delivery of multiple qualities of a specific attribute of the commodity having different cash market values, then a ''par'' quality should be specified with price differentials applicable to the ''non-par'' qualities that reflect discounts or premiums commonly observed or expected to occur in the cash market for that commodity.

The Contract's terms and conditions indicate the underlying foreign currencies for the Contract. Quality standards, such as purity, grade, etc. are not applicable to foreign currencies.

(b)(2)(i)(B) Delivery Points and Facilities. Delivery point/area specifications should provide for futures delivery at a single location or at multiple locations where the underlying cash commodity is normally transacted or stored and where there exists a viable cash market(s). If multiple delivery points are specified and the value of the commodity differs between these locations, contract terms should include price differentials that reflect usual differences in value between the different delivery locations. If the price relationships among the delivery points are unstable and a designated contract market chooses to adopt fixed locational price differentials, such differentials should fall within the range of commonly observed or expected commercial price differences. In this regard, any price differentials should be supported with cash price data for the delivery location(s). The terms and conditions of the contracts also should specify, as appropriate, any conditions the delivery facilities and/or delivery facility operators should meet in order to be eligible for delivery. Specification of any requirements for delivery facilities also should consider the extent to which ownership of such facilities is concentrated and whether the level of concentration would be susceptible to manipulation of the futures contract's prices. Commodity contracts also should specify appropriately detailed delivery procedures that

describe the responsibilities of deliverers, receivers and any required third parties in carrying out the delivery process. Such responsibilities could include allocation between buyer and seller of all associated costs such as load-out, document preparation, sampling, grading, weighing, storage, taxes, duties, fees, drayage, stevedoring, demurrage, dispatch, etc. Required accreditation for third-parties also should be detailed. These procedures should seek to minimize or eliminate any impediments to making or taking delivery by both deliverers and takers of delivery to help ensure convergence of cash and futures at the expiration of a futures delivery month.

Delivery points are not applicable to foreign currency which can be transferred electronically to virtually any location.

(b)(2)(i)(C) Delivery Period and Last Trading Day. An acceptable specification of the delivery period would allow for sufficient time for deliverers to acquire the deliverable commodity and make it available for delivery, considering any restrictions or requirements imposed by the designated contract market. Specification of the last trading day for expiring contracts should consider whether adequate time remains after the last trading day to allow for delivery on the contract.

As noted above, the last trading day of the Contract is the Expiration Date of the option, which is the last opportunity (and in the case of European options, the only opportunity) for the holder of the option to exercise it – unless the spot price reaches the barrier level before exercise (or expiration), at which point the option becomes null and void. The Final Contractual Settlement Date, which is agreed upon by the counterparties, is set at an appropriate time to allow for the exchange of the currencies if the option has been exercised.

(b)(2)(i)(D) Contract Size and Trading Unit. An acceptable specification of the delivery unit and/or trading unit would be a contract size that is consistent with customary transactions, transportation or storage amounts in the cash market (e.g., the contract size may be reflective of the amount of the commodity that represents a pipeline, truckload or railcar shipment). For purposes of increasing market liquidity, a designated contract market may elect to specify a contract size that is smaller than the typical commercial transaction size, storage unit or transportation size. In such cases, the commodity contract should include procedures that allow futures traders to easily take or make delivery on such a contract with a smaller size, or, alternatively, the designated contract market may adopt special provisions requiring that delivery be made only in multiple contracts to accommodate reselling the commodity in the cash market. If the latter provision is adopted, contract terms should be adopted to minimize the potential for default in the delivery process by ensuring that all contracts remaining open at the close of trading in expiring delivery months can be combined to meet the required delivery unit size. Generally, contract sizes and trading units should be determined after a careful analysis of relevant cash market trading practices, conditions and deliverable supply estimates, so as to ensure that the underlying market commodity market and available supply sources are able to support the contract sizes and trading units at all times.

The contract size is the notional amount of the Reference Currency and the Settlement Currency, which, as is customary in the market, is agreed upon by the counterparties.

(b)(2)(i)(E) Delivery Pack. The term ''delivery pack'' refers to the packaging standards (e.g., product may be delivered in burlap or polyethylene bags stacked on wooden pallets) or non- quality related standards regarding the composition of commodity within a delivery unit (e.g., product must all be imported from the same country or origin). An acceptable specification of the delivery pack or composition of a contract's delivery unit should reflect, to the extent possible, specifications commonly applied to the commodity traded or transacted in the cash market.

Not applicable to foreign currency.

(b)(2)(i)(F) Delivery Instrument. An acceptable specification of the delivery instrument (e.g., warehouse receipt, depository certificate or receipt, shipping certificate, bill of lading, inline transfer, book transfer of securities, et etc.) would provide for its conversion into the cash commodity at a commercially reasonable cost. Transportation terms (e.g., FOB, CIF, freight prepaid to destination) as well as any limits on storage or certificate daily premium fees should be specified. These terms should reflect cash market practices and the customary provision for allocating delivery costs between buyer and seller.

If the option is exercised by physical delivery, the parties exchange the applicable currencies using their customary methods.

(b)(2)(i)(G) Inspection Provisions. Any inspection / certification procedures for verifying compliance with quality requirements or any other related delivery requirements (e.g., discounts relating to the age of the commodity, etc.) should be specified in the contract rules. An acceptable specification of inspection procedures would include the establishment of formal procedures that are consistent with procedures used in the cash market. To the extent that formal inspection procedures are not used in the cash market, an acceptable specification would contain provisions that assure accuracy in assessing the commodity, that are available at a low cost, that do not pose an obstacle to delivery on the contract and that are performed by a reputable, disinterested third party or by qualified designated contract market employees. Inspection terms also should detail which party pays for the service, particularly in light of the possibility of varying inspection results.

Not applicable to foreign currencies.

(b)(2)(i)(H) Delivery (Trading) Months. Delivery months should be established based on the risk management needs of commercial entities as well as the availability of deliverable supplies in the specified months.

As noted above, an American option can be exercised any time up to and including the expiration date, while a European option can only be exercised at the expiration date of the option.

(b)(2)(i)(I) Minimum Price Fluctuation (Minimum Tick). The minimum price increment (tick) should be set at a level that is equal to, or less than, the minimum price increment commonly observed in cash market transactions for the underlying commodity. Specifying a futures' minimum tick that is greater than the minimum price increment in the cash market can undermine the risk management utility of the futures contract by preventing hedgers from efficiently establishing and liquidating futures positions that are used to hedge anticipated cash market transactions or cash market positions.

As agreed between the counterparties, the minimum price increment and minimum size is consistent with customary transactions in the market.

(b)(2)(i)(J) Maximum Price Fluctuation Limits. Designated contract markets may adopt price limits to: (1) Reduce or constrain price movements in a trading day that may not be reflective of true market conditions but might be caused by traders overreacting to news; (2) Allow additional time for the collection of margins in times of large price movements; and (3) Provide a ''cooling-off'' period for futures market participants to respond to bona fide changes in market supply and demand fundamentals that would lead to large cash and futures price changes. If price limit provisions are adopted, the limits should be set at levels that are not overly restrictive in relation to price movements in the cash market for the commodity underlying the futures contract.

As agreed between the counterparties.

(b)(2)(i)(K) Speculative Limits: Specific information regarding the establishment of speculative position limits are set forth in part 150, and/or part 151, as applicable, of the Commission's regulations.

BSEF will comply with Parts 150 and 151 of the Commission's regulations.

(L) Reportable Levels: Refer to § 15.03 of the Commission's regulations.

BSEF will adhere to the applicable reporting levels set forth in § 15.03 of the Commission's regulations.

(M) Trading Hours: Should be set by the designated contract market to delineate each trading day.

The Contract is traded twenty-four hours a day (00:01 – 24:00) (ET), Sunday to Friday.

<u>(c) Futures Contracts Settled by Cash Settlement.</u>

(c)(1) Cash settlement is a method of settling certain futures or option contracts whereby, at contract expiration, the contract is settled by cash payment in lieu of physical delivery of the commodity or instrument underlying the contract. An acceptable specification of the cash settlement price for commodity futures and option contracts would include rules that fully

describe the essential economic characteristics of the underlying commodity (e.g., grade, quality, weight, class, growth, issuer, maturity, source, rating, description of the underlying index and index's calculation methodology, etc.), as well as how the final settlement price is calculated. In addition, the rules should clearly specify the trading months and hours of trading, the last trading day, contract size, minimum price change (tick size) and any limitations on price movements (e.g., price limits or trading halts).

Reference Price is Not Readily Susceptible to Manipulation

The applicable Fixing Rate of the Contract is not easily susceptible to manipulation since it is generated through a transparent, rules-based process established by a respected Publisher. The Fixing Rate is determined on the Fixing Date and will be the spot rate or closing spot rate reported by either:

- Any source described in Section 4.5A of ANNEX A to the 1998 FX and Currency Option Definitions published by International Swaps and Derivatives Association, Inc and Trade Association for the Emerging Markets; or

- "Bloomberg MID" or "BFX03" which appears on Bloomberg Screen BFIX under the caption "MID" at the Specified Time on that Rate Calculation Date. A further description of the "Bloomberg MID" or "BFX03" Reference Currency Rate for the Currencies is currently published on the Bloomberg Terminal page under BFIX and is described in Section 4.5B of ANNEX A to the 1998 FX and Currency Option Definitions published by International Swaps and Derivatives Association, Inc and Trade Association for the Emerging Markets; or

- "WM/RefinitivMID" or "WMR03" which appears on the Refinitiv Screen WMRPSPOT (or Refinitiv Screen WMRSPOT, in the case of the closing rate) for such Currency Pair under the caption "MID" at the Specified Time on that Rate Calculation Date. A further description of the "WM/Refinitiv MID" or "WMR03" Reference Currency Rate for the currencies is currently published on the Bloomberg Terminal page WMCO under Daily Spot Rate Fixings then US Dollar Rates Source and is described in Section 4.5B of ANNEX A to the 1998 FX and Currency Option Definitions published by International Swaps and Derivatives Association, Inc and Trade Association for the Emerging Markets.

(c)(2) Cash settled contracts may be susceptible to manipulation or price distortion. In evaluating the susceptibility of a cash-settled contract to manipulation, a designated contract market should consider the size and liquidity of the cash market that underlies the listed contract in a manner that follows the determination of deliverable supply as noted above in (b)(1). In particular, situations susceptible to manipulation include those in which the volume of cash market transactions and/or the number of participants contacted in determining the cash-settlement price are very low. Cash-settled contracts may create an incentive to manipulate or artificially influence the data from which the cash-settlement price is derived or to exert undue influence on the cash-settlement price's computation in order to profit on a futures position in that commodity. The utility of a cash-settled contract for risk management

and price discovery would be significantly impaired if the cash settlement price is not a reliable or robust indicator of the value of the underlying commodity or instrument. Accordingly, careful consideration should be given to the potential for manipulation or distortion of the cash settlement price, as well as the reliability of that price as an indicator of cash market values. Appropriate consideration also should be given to the commercial acceptability, public availability, and timeliness of the price series that is used to calculate the cash settlement price. Documentation demonstrating that the settlement price index is a reliable indicator of market values and conditions and is commonly used as a reference index by industry/market agents should be provided. Such documentation may take on various forms, including carefully documented interview results with knowledgeable agents.

See above regarding the terms of the contract, which are attached as **Annex A**.

Calculation of Cash Settlement Price

The contract is financially settled. As noted above and as is typical with vanilla FX options, the cash settlement price will be the notional amount of the Reference Currency and the Settlement Currency at the Strike Price on the exercise date. Thus, the settlement will be based on the following:

1. **Reference Currency**: As selected by the counterparties at the Trade Date (i.e., start of the Contract); available Reference Currencies are listed in Rule 1400 (see Annex A).

2. **Settlement Currency**: As determined by the counterparties at the Trade Date; available Settlement Currencies are listed in Rule 1400 (see Annex A).

3. **Notional Amount**: Amount agreed by the counterparties at the Trade Date.

4. **Strike Price**: Rate of exchange from converting the unit currency into the quoted currency determined at the inception of the contract.

5. **Fixing Rate**: Rate of exchange from converting the unit currency into the quoted currency determined on the Fixing Date. The Fixing Rate is determined on the Fixing Date by reference to a rate published by a selected Reference Currency Rate Source set forth in Rule 1400 (see Annex A).

6. **Fixing Date**: The unadjusted date at which all obligations stopped being effective. The Fixing Date is the date on which the difference between the Strike Price and the Fixing Rate is calculated.

7. **Final Contractual Settlement Date**: Unadjusted date by which all transfer of cash should take place and the counterparties no longer trade any outstanding obligations under the contract, as agreed by counterparties.

On the Fixing Date, the parties will calculate the difference between the Strike Price and the Fixing Rate and multiply that difference by the notional amount, to arrive at the cash settlement price. The cash settlement will be due on the Final Contractual Settlement Date. As noted, this method of calculating settlement for the Contract is a common, widely-used, and widely accepted method of calculating the cash settlement for Vanilla FX options.

The Contract is not readily susceptible to manipulation for a number of reasons. First, the spot foreign exchange in currencies market is an extremely liquid market with massive volume with diverse participation, making manipulation very difficult to achieve. Second, as noted above, the method for calculating the cash settlement price – calculating the difference between the Fixing Rate, published by an independent reputable source, and the Strike Price – is widely used and generally accepted by market participants. Third, as discussed above, the reference used for the Fixing Rate is very reliable, widely available, and used by numerous market participants. And last, BSEF has a robust market surveillance program that is designed to surveil this market, detect uncommon activity, and investigate any such activity for signs of manipulation.

(c)(3) Where an independent, private-sector third party calculates the cash settlement price series, a designated contract market should consider the need for a licensing agreement that will ensure the designated contract market's rights to the use of the price series to settle the listed contract.

(c)(3)(i) Where an independent, private-sector third party calculates the cash settlement price series, the designated contract market should verify that the third party utilizes business practices that minimize the opportunity or incentive to manipulate the cash-settlement price series. Such safeguards may include lock-downs, prohibitions against derivatives trading by employees, or public dissemination of the names of sources and the price quotes they provide. Because a cash-settled contract may create an incentive to manipulate or artificially influence the underlying market from which the cash-settlement price is derived or to exert undue influence on the cash-settlement computation in order to profit on a futures position in that commodity, a designated contract market should, whenever practicable, enter into an information-sharing agreement with the third-party provider which would enable the designated contract market to better detect and prevent manipulative behavior.

Please see above regarding the calculation of the cash settlement price.

(c)(3)(ii) Where a designated contract market itself generates the cash settlement price series, the designated contract market should establish calculation procedures that safeguard against potential attempts to artificially influence the price. For example, if the cash settlement price is derived by the designated contract market based on a survey of cash market sources, the designated contract market should maintain a list of such entities which all should be reputable sources with knowledge of the cash market. In addition, the sample of sources polled should be representative of the cash market, and the poll should be conducted at a time when trading in the cash market is active.

Please see above regarding the calculation of the cash settlement price, indicating that the method of calculating the cash settlement price is widely accepted in the market.

(c)(3)(iii) The cash-settlement calculation should involve computational procedures that eliminate or reduce the impact of potentially unrepresentative data.

(c)(3)(iv) The cash settlement price should be an accurate and reliable indicator of prices in the underlying cash market. The cash settlement price also should be acceptable to commercial users of the commodity contract. The registered entity should fully document that the settlement price is accurate, reliable, highly regarded by industry/market agents, and fully reflects the economic and commercial conditions of the relevant designated contract market.

Please see above regarding the reliability and widespread acceptance of the method used to generate the cash settlement price.

(c)(3)(v) To the extent possible, the cash settlement price should be based on cash price series that are publicly available and available on a timely basis for purposes of calculating the cash settlement price at the expiration of a commodity contract. A designated contract market should make the final cash settlement price and any other supporting information that is appropriate for release to the public, available to the public when cash settlement is accomplished by the derivatives clearing organization. If the cash settlement price is based on cash prices that are obtained from non-public sources (e.g., cash market surveys conducted by the designated contract market or by third parties on behalf of the designated contract market), a designated contract market should make available to the public as soon as possible after a contract month's expiration the final cash settlement price as well as any other supporting information that is appropriate or feasible to make available to the public.

The Fixing Rate is readily available via a number of sources including websites of Bloomberg and Refinitiv.

(c)(4) Contract terms and conditions requirements for futures contracts settled by cash settlement.

(c)(4)(i) An acceptable specification of the terms and conditions of a cash-settled commodity contract will also set forth the trading months, last trading day, contract size, minimum price change (tick size) and daily price limits, if any.

The terms and conditions of the Contract include all applicable information, including that: (a) the cash settlement amount of the contract will be determined on the Fixing Date; (b) payments will be transferred on the Final Contractual Settlement Date; and (c) the Contract size will be determined by the counterparties.

(c)(4)(i)(A) Commodity Characteristics: The terms and conditions of a commodity contract should describe the commodity underlying the contract.

The terms and conditions of the Contract describe the Reference Currency.

(c)(4)(i)(B) Contract Size and Trading Unit: An acceptable specification of the trading unit would be a contract size that is consistent with customary transactions in the cash market. A designated contract market may opt to set the contract size smaller than that of standard cash market transactions.

The size of the Contract, which will be determined by the counterparties, is consistent with customary transactions in the market.

(c)(4)(i)(C) Cash Settlement Procedure: The cash settlement price should be reliable, acceptable, publicly available, and reported in a timely manner as described in paragraphs (c)(3)(iv) and (c)(3)(v) of this appendix C.

The cash settlement procedure and an explanation of how it is reliable, accepted, publicly available, and reported in a timely manner appears above.

(c)(4)(i)(D) Pricing Basis and Minimum Price Fluctuation (Minimum Tick): The minimum price increment (tick) should be set a level that is equal to, or less than, the minimum price increment commonly observed in cash market transactions for the underlying commodity. Specifying a futures' minimum tick that is greater than the minimum price increment in the cash market can undermine the risk management utility of the futures contract by preventing hedgers from efficiently establishing and liquidating futures positions that are used to hedge anticipated cash market transactions or cash market positions.

As agreed between the counterparties, the pricing basis is consistent with customary transactions in the market.

(c)(4)(i)(E) Maximum Price Fluctuation Limits: Designated contract markets may adopt price limits to: (1) Reduce or constrain price movements in a trading day that may not be reflective of true market conditions but might be caused by traders overreacting to news; (2) Allow additional time for the collection of margins in times of large price movements; and (3) Provide a "cooling-off" period for futures market participants to respond to bona fide changes in market supply and demand fundamentals that would lead to large cash and futures price changes. If price-limit provisions are adopted, the limits should be set at levels that are not overly restrictive in relation to price movements in the cash market for the commodity underlying the futures contract. For broad-based stock index futures contracts, rules should be adopted that coordinate with New York Stock Exchange ("<u>NYSE</u>") declared Circuit Breaker Trading Halts (or other market coordinated Circuit Breaker mechanism) and would recommence trading in the futures contract only after trading in the majority of the stocks underlying the index has recommenced.

As agreed between the counterparties.

(F) Last Trading Day: Specification of the last trading day for expiring contracts should be established such that it occurs before publication of the underlying third-party price index or determination of the final settlement price. If the designated contract market chooses to allow trading to occur through the determination of the final settlement price, then the designated contract market should show that futures trading would not distort the final settlement price calculation.

The last trading day is the Fixing Date, when the difference between the Fixing Rate and the Strike Price is calculated.

(c)(4)(i)(G) Trading Months: Trading months should be established based on the risk management needs of commercial entities as well as the availability of price and other data needed to calculate the cash settlement price in the specified months. Specification of the last trading day should take into consideration whether the volume of transactions underlying the cash settlement price would be unduly limited by occurrence of holidays or traditional holiday periods in the cash market. Moreover, a contract should not be listed past the date for which the designated contract market has access to use a proprietary price index for cash settlement.

The contract will be entered into on the Trade Date, the settlement price will be determined on the Fixing/Expiration Date, and the settlement payments will be made on the Final Contractual Settlement Date. As is common with non-deliverable forwards, these dates will be set by the individual counterparties.

(c)(4)(i)(H) Speculative Limits: Specific rules and policies for speculative position limits are set forth in part 150 and/or part 151, as applicable, of the Commission's regulations.

None required by Parts 150 or 151.

(c)(4)(i)(I) Reportable Levels: Refer to § 15.03 of the Commission's regulations.

BSEF will adhere to the applicable reporting levels set forth in § 15.03 of the Commission's regulations.

(c)(4)(i)(J) Trading Hours: Should be set by the designated contract market to delineate each trading day.

The Contract is traded 14:00 Sunday to 17:00 Friday U.S. Eastern Time.

CERTIFICATIONS PURSUANT TO SECTION 5c OF THE COMMODITY EXCHANGE ACT, 7 U.S.C. §7A-2 AND COMMODITY FUTURES TRADING COMMISSION REGULATION 40.2, 17 C.F.R. §40.2

I hereby certify that: 1) the Contract complies with the Commodity Exchange Act, 7 U.S.C. §1 *et seq*. and regulations thereunder; and 2) concurrent with this submission, Bloomberg SEF LLC posted on its website: (a) a notice of pending certification of the Contract with the Commission; and (b) a copy of this submission.

Daniel Glatter

By: Daniel Glatter
Title: Chief Compliance Officer

Annex A

CHAPTER 14. FOREIGN EXCHANGE CONTRACTS TERMS AND CONDITIONS

RULE 1400. Reference Currency List

The below currencies are available Reference Currencies for Chapter 14 contracts.

- AOA Angolan Kwanza
- ARS Argentine Peso
- AUD Australian Dollar Spot
- AZN Azerbaijani Manat
- BRL Brazilian Real
- CAD Canadian Dollar Spot
- CHF Swiss Franc Spot
- CLP Chilean Peso
- CNY Chinese Renminbi, including CNH (Hong Kong Settlement)
- COP Colombian Peso
- CRC Costa Rican Colon
- CZK Czech Koruna Spot
- DOP Dominican Republic Peso
- EGP Egyptian Pound
- ETB Ethiopian Birr
- EUR Euro
- GBP British Pound Spot
- GEL Georgian Lari
- GHS Ghanaian Cedi
- GTQ Guatemalan Quetzal
- HKD Hong Kong Dollar Spot
- HNL Honduran Lempira
- HUF Hungarian Forint Spot
- IDR Indonesian Rupiah
- ILS Israeli Shekel Spot
- INR Indian Rupee
- JPY Japanese Yen Spot
- KES Kenyan Shilling
- KRW South Korean Won
- KZT Kazakh Tenge
- MYR Malaysian Ringgit (See Notice to Participants 2017-3 on BSEF's website)
- MZN Mozambican Metical
- MXN Mexican Peso Spot
- NGN Nigerian Naira
- NOK Norwegian Krone Spot
- NPR Nepalese Rupee
- NZD New Zealand Dollar Spot
- PEN Peruvian Nuevo sol
- PHP Philippine Peso
- PKR Pakistani Rupee
- PLN Polish Zloty Spot
- PYG Paraguayan Guarani
- RON Romanian Leu Spot
- RUB Russian Ruble
- RWF Rwandan Franc
- SEK Swedish Krona Spot
- SGD Singapore Dollar Spot
- TRY Turkish Lira Spot
- TWD Taiwan Dollar
- TZS Tanzanian Shilling
- UAH Ukrainian Hryvnia
- UGX Ugandan Shilling
- USD U.S. Dollar
- UYU Uruguayan Peso
- VND Vietnamese Dong
- XAF Central African Franc
- XOF West African Franc
- ZAR South African Rand
- ZMW Zambian Kwacha

RULE 1403. Barrier Option

Contract Overview	Option on a spot foreign exchange contract. An agreement granting the buyer of the option the right, but not the obligation, to exchange the notional amount of the Reference Currency and the Settlement Currency at the Strike Price on the exercise date if the Reference Currency spot rate reaches a specified rate ("Barrier Rate") during the term of the agreement.
Ticker	[CUO] [BARR] [Currency Pair] [Settlement Currency] [Expiration Date] [Option Type] [Strike Price]
Reference Currency	Any currency listed in Rule 1400.
Reference Currency Rate Source	• Any source described in Section 4.5A of ANNEX A to the 1998 FX and Currency Option Definitions published by International Swaps and Derivatives Association, Inc and Trade Association for the Emerging Markets; or • "Bloomberg MID" or "BFX03" as described in Section 4.5B of ANNEX A to the 1998 FX and Currency Option Definitions published by International Swaps and Derivatives Association, Inc and Trade Association for the Emerging Markets; or • "WM/RefinitivMID" or "WMR03" as described in Section 4.5B of ANNEX A to the 1998 FX and Currency Option Definitions published by International Swaps and Derivatives Association, Inc and Trade Association for the Emerging Markets.
Settlement Currency	Any currency listed in Rule 1400.
Strike Price	The rate of exchange from converting the unit currency into the quoted currency determined at the inception of the contract.
Barrier Rate	Reference Currency exchange rate that either springs the option into existence or extinguishes an already existing option.
Barrier Style	• **American:** Barrier is breached at any time before the Expiration Date • **European**: Barrier breached only at the Expiration Date.
Barrier Direction/Style	• **Up-and-out**: The option exists at the inception of the contract. The Reference Currency spot price starts below the Barrier Rate at the inception of the contract and must move up for the option to become null and void. • **Down-and-out**: The option exists at the inception of the contract. The reference Currency spot price starts above the Barrier Rate at the inception of the contract and has to move down for the option to become null and void. • **Up-and-in**: No option exists at the inception of the contract. The Reference Currency spot price starts below the Barrier Rate at the inception of the contract and must move up for the option to come into existence. • **Down-and-in**: No option exists at the inception of the contract. The Reference Currency spot price starts above the Barrier Rate and must move down for the option to come into existence.
Option Premium Currency	Settlement Currency
Quoting Convention	Premium
Minimum Increment	Any value greater than zero.
Minimum Size	Any value grater then zero.
Notional Currency	A put or a call currency, as applicable
Option Style	• **Physically settled:** American or European • **Financially settled:** European
Option Type	• **Put:** gives the buyer of the option the right to sell the Reference Currency. • **Call:** gives to the buyer of the option the right to buy the Reference Currency
Valuation method	Barrier
Effective Date	Unadjusted date at which obligations under the swap come into effect
Expiration Date/Fixing Date	Unadjusted date at which obligations stopped being effective. For financially settled options the Expiration Date is the same as the Fixing Date. The Fixing Date is the date on which the difference between the Strike Price and the Fixing Rate is calculated.
Final Contractual Settlement Date	Unadjusted date by which all transfer of cash should take place and the counterparties no longer trade any outstanding obligations under the contract, as agreed by counterparties.
Settlement Method	• **Physically settled:** The settlement performed by exchange of the full amount of Reference Currency and the Settlement Currency. • **Financially Settled:** The settlement performed by exchanging in the Settlement Currency the difference between the Strike Price and the Fixing Rate on the Fixing Date applied on the agreed put or call amount. Fixing Rate means the rate of exchange from converting the unit currency into the quoted currency determined on the Fixing Date based on the spot rate published by Reference Currency Rate Sources

"Made Available to Trade" Determination	None
Mandatory Clearing Determination	None
Trading Hours	14:00 Sunday to 17:00 Friday Eastern Time
Settlement Procedure	Bilateral. Partial exercise is permitted.
Clearing House	None
Block Size	As set forth in Appendix F to Part 43 of the CFTC Regulations.
Speculative Limits	As set in Part 150 of the CFTC Regulations
Reportable Levels	As set in CFTC Regulation 15.03