

TeraExchange, LLC
New Contract Submission 2013-06
December 18, 2013

1. The Contracts' terms and conditions are attached as Exhibit A.
 2. The intended listing date is December 20, 2013.
 3. Attached, please find a certification that the Contracts comply with the Commodity Exchange Act ("Act") and the Commission regulations, thereunder.
 4. Attached, as Exhibit B, please find a concise explanation and analysis of the Equity Index Swaps and their compliance with applicable provisions of the Act, including core principles, and the Commission's regulations, thereunder.
 5. Attached, please find a certification that concurrent with this submission, TeraExchange posted on its website: (i) a notice of pending certification of these Contracts with the Commission; and (ii) a copy of this submission.
 6. Confidential treatment is not being requested for this submission.
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CERTIFICATIONS PURSUANT TO SECTION 5c OF THE COMMODITY EXCHANGE
ACT, 7 U.S.C. §7A-2 AND COMMODITY FUTURES TRADING COMMISSION RULE
40.2, 17 C.F.R. §40.2

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

Leonard T. Nuara

By: Leonard T. Nuara

Title: President and COO

Date: December 18, 2013

TERA[^] EXCHANGE

TeraExchange, LLC
25 DeForest Avenue
Suite 203
Summit, NJ 07901

December 18, 2013

BY ELECTRONIC MAIL: submissions@cftc.gov

Melissa Jurgens
Office of the Secretariat
Commodity Futures Trading Commission
Three Lafayette Center
1155 21st Street, N.W.
Washington, DC 20581

Re: TeraExchange Submission 13-02: Listing of Equity Index Swaps by Certification Pursuant to Commission Regulation 40.2(a)

Dear Secretary Jurgens:

TeraExchange, LLC ("TeraExchange") hereby notifies the Commodity Futures Trading Commission (the "Commission" or "CFTC"), pursuant to Commission Regulation 40.2(a), that it is certifying a group of Equity Index Swaps for trading on its swap execution facility.

The intended listing date of the Equity Index Swaps certified will be no earlier than December 20, 2013.

This submission letter includes the following attachments:

- The submission cover sheet;
- The terms and conditions for the Equity Index Swaps (Exhibit A); and
- A concise explanation and analysis of the Equity Index Swaps compliance with applicable provisions of the Commodity Exchange Act (the "CEA"), including the relevant Core Principles, and the Commission's Regulations thereunder (Exhibit B).

TeraExchange certifies that each Equity Index Swap complies with the CEA and Commission Regulations thereunder. TeraExchange additionally certifies that it has concurrently posted a copy of this submission letter and all attachments on the TeraExchange website at <http://www.teraexchange.com>.

Please contact the undersigned at (908) 273-8277 or at LNuara@teraexchange.com with any questions.

Sincerely,

Leonard T. Nuara

Leonard T. Nuara
President and COO

Exhibit A

Terms and Conditions

(Attached)

EQX

Equity Index Swaps

General	
Swap Structure	A Price Return Equity Swap contract is an agreement for two counterparties to periodically exchange cash flows over a term to maturity. One of the counterparties agrees to pay a floating rate in exchange for payments based on the performance of a broad based equity index.
Currencies	USD/CAD/GBP/EURO
Quoting Convention	Equity Index Swaps are quoted in basis points.
Tick Size	0.01 basis points
Minimum Order Size	1,000,000 notional units of contract currency
Minimum Size Increment	1,000,000 notional units of contract currency
Trading Conventions	Buy = Pay a floating interest rate and receive appreciation in the value of the equity index Sell = Receive a floating interest rate and pay appreciation in the value of the equity index
Trading Hours	1:00 AM to 5:00 PM Eastern Time
Last Trade Date	As specified by the parties from among the Available Business Day Conventions
Effective Date	As specified by the parties from among the Available Business Day Conventions
Maturity Date	As specified by the parties and adjusted in accordance with the 2009 ISDA Master Equity Derivatives Confirmation Agreement Annex IS ("Annex IS").
Forward Starting Period	As specified by the parties and adjusted in accordance with Annex IS.
Tenor	Up to 50 Years
Upfront Payment	As specified by the parties and adjusted in accordance with Annex IS.
Determining Party	As specified by the parties
Hedging Party	As specified by the parties
Block Size	As set forth in Appendix F to Part 43 of the CFTC Regulations
Settlement Procedure	As per Annex IS
Position Accountability	As may be determined and published by TeraExchange under CFTC Regulation 37.600 (c)
Equity Leg	
Fixed Rate	As specified by the parties and adjusted in accordance with Annex IS.
Payment Frequency	As specified by the parties and adjusted in accordance with Annex IS.
Compounding	As specified by the parties and adjusted in accordance with Annex IS.
Equity Index	As specified by the parties - See examples on following page.
Day Count Convention	As specified by the parties and adjusted in accordance with Annex IS.
Business Day Convention	For business days, the defaults shall be the locations specified for the relevant currency, any additional locations specified for the relevant Floating Rate Options
Holiday Calendar(s)	As specified by the parties and adjusted in accordance with Annex IS.
Float Leg	
Reset Frequency	As specified by the parties and adjusted in accordance with Annex IS.
Payment Frequency	As specified by the parties and adjusted in accordance with Annex IS.
Compounding	None or as specified by the parties and adjusted in accordance with Annex IS.
Day Count Convention	As specified by the parties and adjusted in accordance with Annex IS.
Business Day Convention	For business days, the defaults shall be the locations specified for the relevant currency, any additional locations specified for the relevant Floating Rate Options
Reset Dates	As per Annex IS
Fixing Dates	As specified by the parties and adjusted in accordance with Annex IS.
Floating Rate Index	As specified by the parties and adjusted in accordance with Annex IS.
Spread	As specified by the parties and adjusted in accordance with Annex IS.
Holiday Calendar(s)	As specified by the parties and adjusted in accordance with Annex IS.

Example Equity Indices

NASDAQ-100

S&P 100 Total Return

Russell 1000 Financial

Russell 1000 Growth Total Return

Russell 1000 Total Return

Russell 1000 Value Total Return

Russell 2000 Growth Total Return

Russell 2000 Total Return

Russell 2000 Value Total Return

S&P SmallCap 600 Total Return

S&P 500 Total Return

S&P MidCap 400 Total Return

BOVESPA Index

DJIA Total Return

MSCI Hong Kong

MSCI Taiwan

MSCI Japan

MSCI USA

MSCI North America

MSCI Europe

MSCI UK

MSCI Brazil

MSCI China

MSCI India

MSCI Korea

MSCI Pacific

MSCI AC ASIA PACIFIC EX JAPAN

MSCI EAFE

MSCI Australia

MSCI US Small Cap

Exhibit B

This exhibit includes a concise explanation and analysis of the certified Equity Index Swaps' compliance with applicable provisions of the Commodity Exchange Act (the "CEA"), including the relevant Core Principles, and the Commission's Regulations thereunder.

Core Principle 2 – Compliance with Rules

As with all products listed for trading on TeraExchange, trading in Equity Index Swaps will be subject to compliance with the CEA, CFTC Regulations and the TeraExchange Rulebook (the "Rules"). Chapter 5 of the Rules sets out in detail the trading practice and business conduct rules applicable to all Participants. In general, under Rule 517, Participants are prohibited from engaging in any conduct in violation of Applicable Law or the Rules. Under Rule 518, any violation of the Rules or act constituting fraud, dishonorable or dishonest conduct, or conduct inconsistent with just and equitable principles of trade is an offense. Fraudulent acts of any kind, including but not limited to front-running, money passes, trading ahead of or against customers, and accommodation trading, are all prohibited under Rule 519. Also included in Chapter 5 are specific Rules intended to deter abusive and disruptive trading practices, including prohibitions on the following: fictitious, wash or non-competitive transactions (Rule 520); market disruption, including violating bids and offers, closing period violations, and spoofing (Rule 521); market manipulation (Rule 522); misstatements (Rule 523); acts detrimental to the SEF (Rule 524); misuse of the SEF (Rule 525); withholding of orders (Rule 526); trading against or crossing orders (Rule 527); and disclosing orders (Rule 528).

TeraExchange market regulation staff, working in partnership with the staff of the National Futures Association as regulatory services provider, will conduct surveillance and initiate disciplinary proceedings as necessary to enforce compliance with the Rules, the CEA and Commission Regulations.

Core Principle 3 – Swaps not Readily Susceptible to Manipulation

The reference price for the equity leg of the Contracts is the level of the relevant index. The indices are broad-based and are maintained by third parties. The stock underlying the indices are numerous and are broadly traded and liquid. In addition, the indices may have futures and exchange traded fund instruments tied to them which make the market for the index itself deep and liquid.

The reference rate for the floating leg of the Contracts is one of several widely used benchmarks which are administered and calculated by third-party providers using specific guidelines. Two of these benchmarks are briefly described below:

LIBOR: LIBOR is currently administered by BBA Libor Ltd., and calculated by Thompson Reuters, both of which are regulated by the Financial Conduct Authority in the U.K. LIBOR is the average rate at which contributor banks perceive that they can obtain unsecured funding in the London interbank market for a given period and in a given currency. Recently, there have been significant steps taken to address concerns about the reliability of the LIBOR polling process, including the establishment of an Interim LIBOR Oversight Committee, enactment of regulations over LIBOR under U.K. law, approval of the upcoming transfer of the LIBOR administration process to NYSE Euronext Rates Administration Limited, as recommended by the Hogg Tendering Advisory Committee.

EURIBOR: Euribor is short for Euro Interbank Offered Rate. The Euribor rates are based on the interest rates at which a panel of 40 to 50 European banks borrow funds from one another. In the calculation, the highest and lowest 15 percent of all the quotes collected are eliminated. The remaining rates will be averaged and rounded to three decimal places. Euribor is determined and published at 11:00 am each day, Central European Time. Euribor-EBF is the administrator of the Euribor benchmarks and is responsible for the development and support of benchmark rates it governs. In addition Euribor-EBF

supports other practical initiatives which foster the integration of the European financial market and improvement of liquidity, safety and transparency.

The reference for the dividend leg of the Contracts is the dividends paid on the shares comprised in the index. These dividend payments are the result of decisions made, on a firm-by-firm basis, by the boards of directors of the issuers of the component shares.

The Contracts are not susceptible to manipulation for a number of reasons. First, interest rate products are very liquid – the market is very large and deep, making manipulation very difficult to achieve. Second, TeraExchange has established rules and an enforcement infrastructure to prevent manipulation. TeraExchange staff conduct real-time market surveillance and the National Futures Association (“NFA”) provides regulatory services on a T+1 basis. NFA’s services include comprehensive trade practice and market surveillance services (the scope of which can be found in the Regulatory Services Agreement between NFA and TeraExchange submitted to the Commission as part of TeraExchange’s swap execution facility application) (note that the foregoing also demonstrates compliance with Core Principle 4).

The Contracts operate in a very liquid market with numerous participants. Also, the cash settlement price is not easily susceptible to manipulation or distortion since, as to the index-based component, the cash settlement price is not easily susceptible to manipulation or distortion as the composition of the index is announced by the index sponsor, as to the dividend leg, the dividends paid are announced by the issuer, and, in the case of the fixed or floating rate leg as the method of determining the price is based on factors that are fixed at the start of Contract (i.e., payment frequency, day count conventions, fixed interest rate, floating reset dates) and the applicable reference rate. Each of the available indices, dividend payments and reference rates is widely accepted by market participants and data is readily accessible through numerous news outlets.

Core Principle 7 – Financial Integrity of Transactions

Because Equity Index Swaps are not cleared instruments, all Equity Index Swaps traded on TeraExchange will be settled according to the terms of the industry accepted 2009 Americas Master Equity Derivatives Confirmation Agreement. The master agreement also aids in reducing disputes by providing extensive resources defining its terms and explaining the intent of the contract, thereby preventing disputes from beginning as well as providing a neutral resource to interpret standard contractual terms. Finally, the master agreement greatly aids in risk and credit management for the parties.

Core Principle 9 - Timely publication of trading information

TeraExchange will submit timely reports regarding Equity Derivatives to a registered swap data repository as prescribed in Parts 43 and 45 of the CFTC’s Regulations. TeraExchange also will record, report and publish on its website all data required by Part 16 of the CFTC’s regulations.