



February 26, 2014

BY ELECTRONIC MAIL: submissions@cftc.gov

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

Re: SwapEx Submission 03-14: Certification Pursuant to Commission Regulation 40.2(d) of Listing for Trading of “USD LIBOR Interest Rate Swaps: Fixed-to-Floating”

Dear Ms. Jurgens:

SwapEx, LLC (“SwapEx”) hereby notifies the Commodity Futures Trading Commission (the “Commission” or “CFTC”), pursuant to Commission Regulation 40.2(d), that it is certifying a number of interest rate swaps (“USD LIBOR IRS”) whose value is based upon the difference between a stream of semi-annual fixed interest payments and a stream of quarterly floating interest payments referencing the three-month U.S. dollar London Interbank Offered Rate (“LIBOR”). The intended listing date for this class of interest rate swaps is February 28, 2014.

This submission contains the following attachments:

- The submission cover sheet.
- Attached as Exhibit A, a concise explanation and analysis of the USD LIBOR IRS.
- Attached as Exhibit B, a copy of the rules for the USD LIBOR IRS, which will be published as contract specifications on SwapEx’s website in accordance with SwapEx Rule 901(c).
- Attached as Exhibit C, a concise explanation and analysis of the USD LIBOR IRS’ compliance with applicable provisions of the Commodity Exchange Act (the “CEA”), including the Core Principles, and the Commission’s Regulations thereunder.

As required by Commission Regulation 40.2(d)(1), SwapEx hereby certifies:

- That each particular swap within the certified class of swaps is based upon an “excluded commodity” specified in Regulation 40.2(d)(1);

- That each particular swap within the certified class of swaps is based upon an excluded commodity with an identical pricing source, formula, procedure, and methodology for calculating reference prices and payment obligations;
- That the pricing source, formula, procedure, and methodology for calculating reference prices and payment obligations in each particular swap within the certified class of swaps is identical to a pricing source, formula, procedure, and methodology for calculating reference prices and payment obligations in a product previously submitted to the Commission and certified or approved pursuant to Regulation 40.2 or Regulation 40.3; and
- That each particular swap within the certified class of swaps is based upon an excluded commodity involving an identical currency or identical currencies.

SwapEx certifies that each USD LIBOR IRS complies with the CEA and Commission Regulations thereunder. SwapEx additionally certifies that it has concurrently posted a copy of this submission letter and attachments hereto on SwapEx's website at <http://www.swapex.com/swapex/rules-policies-and-notices/recent-rule-filings-cftc/>.

* * *

In the event that you have questions, please contact the undersigned at (212) 259-3025 or BJRegan@statestreet.com.

Sincerely,


Brian J. Regan
Chief Compliance Officer

cc: Jonathan Lave, Division of Market Oversight
Abigail Knauff, Division of Market Oversight

Exhibit A

USD LIBOR Interest Rate Swaps: Fixed-to-Floating

Each USD LIBOR IRS swap being certified under this class of interest rate swaps is a cash-settled swap whose value is based upon the difference between a stream of semi-annual fixed interest payments and a stream of quarterly floating interest payments based on three-month U.S. dollar LIBOR, over a term to maturity.

Each USD LIBOR IRS will be either a fixed-rate negotiated instrument or a pre-set coupon rate, net present value ("NPV")-negotiated instrument. For fixed-rate negotiated USD LIBOR IRS, the fixed rate will be negotiated at the time of execution. For NPV-negotiated USD LIBOR IRS, the fixed rate will either be pre-set based upon International Monetary Market ("IMM") rates or negotiated at the time of execution. The underlying tenor will range from 1 to 30 years for fixed-rate negotiated USD LIBOR IRS, and 2 to 30 years for NPV-negotiated USD LIBOR IRS. Contract sizes will be set in notional amounts.

For more information, the contract specifications for the USD LIBOR IRS are attached as Exhibit B.

Exhibit B

SwapEx Contract Specifications

USD LIBOR Interest Rate Swaps: Fixed-to-Floating

There are two types of USD LIBOR Interest Rate Swaps; Fixed-to-Floating contracts available for trading on SwapEx:

- *Fixed Rate Negotiated Instruments*
 - Spot Starting
 - User-Specified / Admin defined
- *Pre-Set Coupon Rate, NPV Negotiated Instruments*
 - Spot Starting
 - User-Specified / Admin defined

The below table includes specifications for both types of contracts. Unless otherwise noted, the specifications apply to both types of contracts.

Trading Hours	Standard trading hours are currently 8:20 AM to 4:30 PM Eastern Time.
Contract Structure	<p><i>Outright Instruments:</i> Interest rate swap whose value is based upon the difference between a stream of semi-annual fixed interest payments and a stream of quarterly floating interest payments based on 3 month US Dollar LIBOR, over a term to maturity.</p> <p><i>Spread Instruments:</i> A transaction involving two underlying Outright Instruments. A buy or sell of a spread instrument will result in two transactions for the user.</p>
Underlying Swap Tenor	<p>The duration of time from the Effective Date to the Cash Flow Alignment Date.</p> <p>Spot Starting (Fixed Rate only):</p> <ul style="list-style-type: none">• 1 Year• 2 Years• All intervening years• 30 Years <p>Pre-Set, IMM Dated Instruments (NPV negotiated only):</p> <ul style="list-style-type: none">• 2 Years• 3 Years• 5 Years• 7 Years• 10 Years

	<ul style="list-style-type: none"> • 30 Years <p>User-Specified / Admin defined:</p> <ul style="list-style-type: none"> • Subject to specific start date and end date defined by system administrator / user
Remaining Tenor	The duration of time from today to the Cash Flow Alignment Date.
Fixed Rate	<p>Negotiated at the time of execution (fixed rate negotiated only)</p> <p>Pre-Set, IMM Dated Instruments determined by SwapEx (NPV negotiated only)</p> <ul style="list-style-type: none"> • Multiple fixed rates may be pre-determined for unique instruments <p>User-Specified / Admin defined (NPV negotiated only):</p> <ul style="list-style-type: none"> • May either be negotiated or defined at the time of instrument creation
Contract Size	<p><i>Outright Instruments:</i> Minimum notional amount of \$1, and integer values above the minimum</p> <p><i>Spread Instruments:</i> Acceptable values are integer values ≥ 1; which extrapolates to notional quantities on each underlying leg based upon the specified ratio.</p>
Trading Conventions	<p><i>Outright Instruments:</i> Buy = Pay Fixed Sell = Receive Fixed</p> <p><i>Spread Instruments:</i> Buy = Buy of any underlying instrument with a positive weight and a sell of any underlying instrument with a negative instrument weight</p> <p>Sell = Sell of any underlying instrument with a positive weight and a buy of any underlying instrument with a negative instrument weight.</p>
Swap Leg Conventions	<p>Fixed Leg</p> <ul style="list-style-type: none"> • Reset Frequency Semi-Annual • Day Count Convention 30/360 • Currency USD • Holiday Calendar(s) New York, London • Business Day Convention Modified Following with adjustment to period end dates (Business days in this convention must be valid business days on both the New York and London calendar. If not, it will be the next day that is a business day on both the New York and London calendar)

	<p>Floating Leg</p> <ul style="list-style-type: none"> • Reset Frequency Quarterly • Day Count Convention Actual/360 • Currency USD • Holiday Calendar(s) New York, London • Business Day Convention Modified Following with adjustment to period end dates (Business days in this convention must be valid business days on both the New York and London calendar. If not, it will be the next day that is a business day on both the New York and London calendar)
<p>Effective Dates</p>	<p>The “Effective Date” is the first date from which fixed and floating interest amounts accrue. The Effective Date of the Swap must be a business day subject to the Modified Following convention.</p> <p>Spot Starting (Fixed rate only):</p> <ul style="list-style-type: none"> • A Swap whose effective date is two business days from the trade date (using the combined London and New York holiday calendar); subject to Modified Following convention. <p>Pre-Set, IMM Dated Instruments (NPV negotiated only):</p> <ul style="list-style-type: none"> • A Swap whose effective date is a specific IMM Date (an eligible 3rd Wednesday of March, June, September or December) <p>User-Specified/ Admin defined:</p> <ul style="list-style-type: none"> • A Swap whose effective date is a value specified by either user or SwapEx
<p>Cash Flow Alignment Date (“CFAD”)</p>	<p>The date used for aligning all fixed and floating Reset Dates, and for determination of the Maturity Date.</p> <ul style="list-style-type: none"> • Note that the Cash Flow Alignment Date may fall on any calendar day, including weekends and holidays. • The CFAD is used to determine the Maturity Date, but the two terms are distinct, as the Maturity Date must fall on a valid business day from the joint holiday calendar. <p>Spot Starting (Fixed rate negotiated only):</p> <ul style="list-style-type: none"> • End Date (Cash Flow Alignment Date) equal to Effective Date plus specified tenor – expressed in years <p>Pre-Set, IMM Dated Instruments (NPV negotiated only):</p> <ul style="list-style-type: none"> • End Date (Cash Flow Alignment Date) equal to Effective Date plus specified tenor – expressed in years <p>User Specified / Admin Defined:</p> <ul style="list-style-type: none"> • End Date (Cash Flow Alignment Date) equal to value specified by user or SwapEx

Maturity Date	<p>The final date to which fixed and floating amounts accrue. The last date of the contract.</p> <ul style="list-style-type: none"> • Maturity Date is determined by applying the Modified Following rule to the Cash Flow Alignment Date. • If the Cash Flow Alignment Date is a non-business day in either NY or London, go forward to the next day that is a business day in both NY and London. <ul style="list-style-type: none"> ○ If the next valid business day is in the following month, the preceding valid business day on both the NY and London holiday calendars will be the Maturity Date. <p>The Maturity Date may also be referred to as Termination Date.</p>
Reset Dates	<p>Dates utilized to determine fixed and floating amounts throughout the life of the Contract.</p> <ul style="list-style-type: none"> • Reset Dates define the beginning and end of fixed and floating interest accrual periods. Floating Rate Reset Dates facilitate the determination of the LIBOR Fixing Dates. • The Cash Flow Alignment Date will be used as the basis for determining Reset Dates. • Each Reset Date is subject to adjustment based on Modified Following convention. <ul style="list-style-type: none"> ○ For example, if the CFAD is 09/19/2014, the Reset Dates will be on the 19th of December, March, June and September, subject to the Modified Following convention.
Last Trading Day	<p>The last day on which the Contract can be traded is the NY business day preceding the Maturity Date.</p>
First LIBOR Fixing Date	<p>2 London business days prior to the Effective Date.</p>
Other LIBOR Fixing Dates	<p>For all periods other than the first floating rate period, the LIBOR Fixing Date is 2 London business days prior to each Reset Date.</p>
Floating Rate Index	<p>3 Month USD LIBOR</p>
Quoting Convention	<p><i>Outrights:</i> Fixed Rate or upfront NPV per million depending on the contract type.</p> <p><i>Spread Instruments:</i> Spread Instruments referencing two underlying fixed rate negotiated instruments will be negotiated in the fixed rate differential. Spread Instruments referencing two underlying NPV negotiated instruments will be negotiated in the NPV differential.</p>
Derivatives Clearing Organization	<p>Chicago Mercantile Exchange Inc. LCH.Clearnet Limited LCH.Clearnet LLC</p>

The terms and conditions of the swap also include the product eligibility criteria, as established by the applicable Derivatives Clearing Organization in its rules or bylaws, which are incorporated by reference herein as terms and conditions of the swap.

Exhibit C

USD LIBOR Interest Rate Swaps: Fixed-to-Floating

SwapEx has determined that the USD LIBOR IRS certified under the class “USD LIBOR Interest Rate Swaps: Fixed-to-Floating” herein bear upon the following Core Principles:

Core Principle 2 – Compliance with Rules

Trading in the USD LIBOR IRS will be subject to the SwapEx Rulebook (the “Rules”), which prohibits abusive trading practices, including: acts detrimental to SwapEx or that are inconsistent with just and equitable principles of trade (Rule 503), fraudulent acts (Rule 504), fictitious or non-competitive transactions (Rule 505), market manipulation (Rule 506), disruptive trading practices (Rule 507), misstatements (Rule 508), misuse of the trading system (Rule 509), wash sales (Rule 514) and pre-negotiated or non-competitive trades, including money passes (Rule 515). Trading in these USD LIBOR IRS will also be subject to Rules relating to protection of customers. *See* Rules 511-513, 516, 517.

As with all swaps listed for trading on the Trading System, trading activity in the USD LIBOR IRS will be subject to monitoring and surveillance by SwapEx’s Market Regulation Department. SwapEx has the authority to exercise its investigatory and enforcement power where potential Rule violations are identified. *See* Chapter 7 of the Rules.

Pursuant to Rule 601, each USD LIBOR IRS executed as a block trade must be for the quantity that is at or in excess of the applicable minimum block size established by the Commission.

Core Principle 3 – Swaps Not Readily Susceptible to Manipulation

Each USD LIBOR IRS traded on the Trading System will be settled in cash by a derivatives clearing organization (a “DCO”) registered with the Commission. The settlement amount is based on the net amount of interest owed between the swap counterparties. The amount of interest owed by each party is calculated on the basis of a reference interest rate applied over a period of time to a notional amount, where the referenced rates, period of time and notional amount are fixed by the relevant USD LIBOR IRS. Each reference rate will be determined on the basis of the three-month U.S. dollar LIBOR.

The fixed terms of an USD LIBOR IRS will not be readily susceptible to manipulation as they are predetermined by the relevant DCO. The reference rate for the floating leg of the swap is LIBOR, which 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. Currently, LIBOR is administered by BBA Libor Ltd. and the rate is calculated by Thomson Reuters, using specific guidelines. To calculate LIBOR, which is a “trimmed mean,” Thomson

Reuters collects the perceived rate daily from each of the contributor banks, discards the highest and lowest contributions (the top and bottom quartiles), and then uses the middle two quartiles. Both BBA Libor Ltd. and Thomson Reuters are separately regulated by the Financial Conduct Authority (“FCA”).

Concerns have been raised with respect to the reliability of LIBOR as a reference price. As a result, British regulators and BBA Libor Ltd., the former administrator of LIBOR, took steps over the course of the last year to increase the robustness of the LIBOR process and inspire greater confidence in its reliability. These steps include:

- completion of a comprehensive review of LIBOR which resulted in a report with recommendations, entitled the “Wheatley Review of LIBOR” (“Wheatley Report”);
- establishment of an Interim LIBOR Oversight Committee (“ILOC”) to oversee the management of LIBOR, as required by the FCA regulations and recommended by the Wheatley Report;
- enactment of regulation which makes the administration of LIBOR a “regulated activity” under the Financial Services and Markets Act 2000;
- (ongoing) streamlining of the number of LIBOR currencies and maturities;
- initiation of the practice of publishing individual LIBOR submissions after three months in order to reduce the potential for submitters to attempt manipulation;
- establishment of the Hogg Tendering Advisory Committee (“Hogg Committee”) to recommend new institutions to oversee LIBOR;
- approval of a transfer of the administration of LIBOR to NYSE Euronext Rates Administration Limited, the bidder recommended by the Hogg Committee;
- confirmation by the FCA of the “Interim Code of Conduct for Contributing Banks” as Industry Guidance; and
- establishment of a Whistleblowing Policy for LIBOR, as approved by the ILOC, which outlines how any concerns about perceived irregularities in conduct related to the administration of LIBOR and/or LIBOR submissions could be raised.

In the wake of the NYSE Euronext-ICE merger, the entity responsible for administration of LIBOR is now identified as the “ICE Benchmark Administration” (“IBA”). The IBA assumed control as the new administrator of LIBOR as of February 1, 2014. ICE has announced that the IBA operates as an autonomous entity within ICE, with an independent board comprised of a majority of independent non-executive directors. The IBA Oversight Committee, which administers the LIBOR code of conduct, is composed of benchmark users, independent experts, benchmark submitters, the IBA board and other stakeholders.

IBA has also implemented surveillance methodology designed to adjust to changing market conditions. According to ICE, this methodology utilizes sophisticated analytical tools to operate the benchmark price setting process with transparency. ICE has opined that these surveillance measures will help IBA to identify “errors or potential misconduct, such as collusion.”

As British regulators and the current LIBOR administrator make these and other changes to improve the robustness of LIBOR, LIBOR remains a widely used and relied upon benchmark.

The LIBOR rate, the reference rate upon which each USD LIBOR IRS is based, is difficult for any entity or group of market participants to manipulate, especially given the recent changes and the enhanced public scrutiny. In addition, the USD LIBOR IRS products are very liquid – the market is very large and deep, making manipulation difficult to achieve. As such, the USD LIBOR IRS are not readily susceptible to manipulation.

Core Principle 4 – Monitoring of Trading and Trade Processing

Chapter 5 of the Rules prohibits traders from manipulating, distorting the price of, and disrupting the cash settlement process of the USD LIBOR IRS. Such Rules are enforced by the Market Regulation Department.

Core Principle 5 – Ability to Obtain Information

Pursuant to the Rules, SwapEx will have the ability and authority to obtain sufficient information for each USD LIBOR IRS to allow SwapEx to fully perform its operational, risk management, governance and regulatory functions and requirements under Part 37 of Commission Regulations.

Core Principle 6 – Position Limits or Accountability

As provided in Rule 523, the position accountability levels for USD LIBOR IRS will be \$250 billion. SwapEx’s Rules relating to position limits, position accountability and aggregation standards are reproduced below:

Rule 519. Position Accountability

A Person who holds or controls aggregate positions in excess of the position accountability levels set forth in Rule 523 shall:

- (a) upon request by the Market Regulation Department, provide in a timely manner information regarding the nature of the position, trading strategy, and hedging information, if applicable; and
- (b) if so ordered by the Market Regulation Department, not further increase positions that exceed the position accountability levels specified in Rule 523

Rule 520. Position Limits

The Company may establish position limits for one or more Contracts, which, if and when established will be set forth in Rule 523, and grant exemptions from position limits, in accordance with CFTC Regulations. A Person seeking an exemption from position limits must apply to the Market Regulation Department in the form and manner required by the Company.

Rule 521. Position Information

Without limiting any other rights of the Company under these Rules or otherwise, the Company shall have the right to request position and trading information in respect of a given Contract from any Participant, Authorized Trader, Authorized User or Customer that has a position in such Contract at or above the applicable position accountability level.

Rule 522. Aggregation of Positions

For purposes of Rules 519, 520 and 521, positions in Contracts shall be aggregated in accordance with CFTC Regulations.

Rule 523. Position Limits and Position Accountability Levels

The position limits and position accountability levels for Swaps will be calculated on a net basis and are as follows. SwapEx will enforce position limits and position accountability levels only for Contracts executed on the Trading System and Block Trades executed pursuant to Chapter 6 of the Rules.

Contracts	Daily Position Accountability Level	Position Limit Level
Interest Rate Swaps:		
• Floating Rate Index: 3 Month USD LIBOR	\$250 billion	N/A
• Floating Rate Index: 6 Month EURIBOR	€185 billion	N/A
• Floating Rate Index: 6 Month GBP LIBOR	£150 billion	N/A

Core Principle 7 – Financial Integrity of Transactions

All USD LIBOR IRS that are required to be cleared pursuant to Section 2(h) of the CEA or that are voluntarily cleared by the counterparties will be submitted for clearing through a DCO. See Rule 1002.

Core Principle 9 – Timely Publication of Trading Information

In accordance with Part 16 of Commission Regulations, SwapEx will publish daily market volume data reports for each swap (or class of swap) in terms of notional value. In addition, SwapEx will publish for each trading day, by tenor of the swap, the opening price and the high and low prices. SwapEx will publish a settlement price for each such swap except that, in the case of swaps listed for clearing by a DCO, the applicable settlement price will be the settlement price established by the DCO. *See* Rule 407.

SwapEx will submit electronic reports of all primary economic terms data for each swap to a registered swap data repository immediately following execution of such swap. *See* Rule 528. All such reports will meet the standards set out in Commission Regulation 45.3, including the requirement to produce a unique swap identifier for each transaction. SwapEx will also issue confirmations of transactions pursuant to Rule 525.