

NOTICE OF LISTING OF PRODUCTS BY ICAP SEF (US) LLC FOR TRADING BY CERTIFICATION

1. This submission is made pursuant to CFTC Reg. 40.2 by ICAP SEF (US) LLC (the "SEF").
2. The products certified by this submission are the following: ERCOT Ancillary Services (the "Contract").
3. Attached as Attachment A is a copy of the Contract's rules.
4. The SEF intends to make this submission of the certification of the Contract effective on the day following submission pursuant to CFTC Reg. 40.2(a)(2).
5. Attached as Attachment B is a certification from the SEF that the Contract complies with the Commodity Exchange Act and CFTC Regulations, and that the SEF has posted a notice of pending product certification and a copy of this submission on its website concurrent with the filing of this submission with the Commission.
6. As required by Commission Regulation 40.2(a), the following concise explanation and analysis demonstrates that the Contract complies with the core principles of the Commodity Exchange Act for swap execution facilities, and in particular Core Principle 3, which provides that a swap execution facility shall permit trading only in swaps that are not readily susceptible to manipulation, in accordance with the applicable guidelines in Appendix C to Part 38 of the Commission's Regulations for contracts settled by cash settlement.

The Contract

The Contract is a cash-settled swap that allows a party to speculate on, or hedge risks associated with, the price of ancillary standby electricity services ("Ancillary Services") managed by the Electric Reliability Council of Texas ("ERCOT"). The counterparties to the Contract exchange a fixed price for specified Ancillary Services and a floating price based on the price for such services published by the ERCOT for daily Market Clearing Price for Capacity ("MCPC"). The Contract has several flexible terms, which are listed in the attached specification. All of the essential terms of the Contract, other than the floating price, are agreed at the Effective Date. Following is an explanation of why the Contract is not readily susceptible to manipulation in accordance with section (c) of Appendix C to Part 38.

Appendix C to Part 38—Demonstration of Compliance That a Contract is Not Readily Susceptible to Manipulation

Section (c) Contracts Settled by Cash Settlement

- (1) Calculation of Cash Settlement Price. One leg of the Contract will pay a fixed price for a specified multiple of 1 megawatt hour ("MWh") of Ancillary Services for delivery within ERCOT on a specific delivery date during one of three types of flow periods: Peak, Off-Peak or Flat. This fixed price is established at the Effective Date and will remain unchanged throughout the life of the Contract. The other leg of the Contract will pay a floating price that is based on the U.S. dollar specified price per MWh of the specified Ancillary Service at the specified delivery date, as published by ERCOT for MCPC. These published prices are reliable, widely accepted and publically available. On the Maturity Date, the counterparties will calculate the difference between the fixed price and the floating price.
- (2) Contract Not Readily Susceptible to Manipulation. The Contract is not readily susceptible to manipulation for a number of reasons. As noted above, all of the essential terms of the Contract, other than the floating price, are agreed to at the Effective Date of the Contract, thereby reducing the impact of potentially unrepresentative data. The floating price itself is based on prices published by ERCOT, which is regulated by the Federal Energy Regulatory Commission ("FERC"). The Ancillary Services prices are closely followed by market participants and MCPC is an established pricing methodology that is governed by a standard set of rules published by ERCOT, which are widely used and generally accepted by market participants.¹ Furthermore, each of the electricity markets for the services has a high volume of cash market transactions and a high number of market participants trading in the cash market, which make the ERCOT published MCPC price (the price upon which the Contract's cash settlement price is calculated) unlikely to be the subject of an attempt to manipulate. Accordingly, the Contract is not easily susceptible to manipulation or price distortion because the method of determining the cash settlement price is based on terms that are fixed at the Effective Date of the Contract and a reliable floating price.
- (3) Independent Third-Party Pricing of Underlying Commodities. The prices of the electricity upon which the floating price leg of the Contract is based are published ERCOT and are publicly available on the ERCOT's website, thereby making an information sharing or licensing agreement unnecessary. The SEF believes that ERCOT is impartial, employs appropriate safeguards against manipulation to protect the value of the electricity to the market place, and uses business practices that minimize the opportunity or incentive to manipulate the MCPC associated with the Contract's cash settlement price. Furthermore, ERCOT is regulated by the FERC, an independent federal agency that regulates the interstate transmission of electricity, natural gas and oil. The MCPC price for Ancillary

¹ See ERCOT Protocols, Section 6.7 Real-Time Settlement Calculations for the Ancillary Services and Section 4.6.4 Settlement of Ancillary Services Procured in the DAM, available at: <http://www.ercot.com/mktrules/nprotocols/current>.

Services is published by ERCOT and is publically available on a timely basis for the purposes of calculating the Contract's cash settlement price.² To the extent that the SEF's Market Regulation Department determines that there is reason to suspect manipulation or attempted manipulation with respect to the Contract that involves the MCPC price for Ancillary Services, it will so inform ERCOT and will seek to share information as necessary to investigate the potential manipulation or attempted manipulation.

(4) Contract Terms and Conditions. The essential terms and conditions of the Contract are attached as Attachment A.

- **Commodity Characteristics.** The Ancillary Services and pricing methodology are listed in the terms and conditions.
- **Contract Size and Trading Unit.** The contract size is agreed to between the parties and may be in multiples of 1 MWh. The size of the Contract is consistent with customary transactions in the cash market.
- **Cash Settlement Procedure.** The cash settlement procedures and an explanation of how the Contract is not readily susceptible to manipulation are described above.
- **Pricing Basis and Minimum Price Fluctuation.** The minimum price increment is set at \$0.01, which is equal to, or less than, the minimum price increment commonly observed in the cash market for electricity.
- **Maximum Price Fluctuation Limits.** The maximum price fluctuation limit, if any, is agreed to between the parties.
- **Last Trading Day.** The last trading day for a Contract is the last business day of each Contract month, which occurs on or before the publication of the MCPC prices.
- **Trading Months.** The maturity date of the Contract is agreed to between the parties and based on their risk management needs. The maturity date may be any day in any calendar month.
- **Speculative Limits.** None are currently required by the Commission. If and to the extent the Commission imposes speculative limits on the Contract, the limits imposed by the SEF will be the same.
- **Reportable Levels.** None are currently required by the Commission. If and to the extent the Commission imposes a reporting requirement based on reportable levels of the Contract imposed by the Commission, the reportable levels imposed by the SEF will be the same.
- **Trading Hours.** Trading hours are 08:00 – 17:00 (ET) Monday to Friday.

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In addition to the foregoing, the SEF's predecessor brokers have experience executing trades in this Contract, and in their experience it is not readily susceptible to being manipulated. Furthermore, the SEF has adopted rules in its Rulebook prohibiting any Participant or Customer from engaging in manipulative trading activity and the SEF is required to, and will, monitor all trading on the SEF in order to identify any such manipulative activity. The SEF has authority to impose on its Participants and Customers fines and disciplinary sanctions in the event that such manipulative activity has occurred.

² See <http://www.ercot.com/mktinfo/prices>.

Attachment A

SEF Rule 805 (12)(j)

Product Descriptions – Electricity Swaps

Electricity – Swaps

ERCOT Ancillary Services

Contract Specification	Details
Product Description	<p>Cash settled swap contracts based on Market Clearing Price for Capacity ("MCPC") for ancillary standby power services published by the Electricity Reliability Council of Texas ("ERCOT").</p> <p>The following Electricity products based on MPCP settlements are traded at ICAP:</p> <ul style="list-style-type: none"> ERCOT-Response Reserve ("RRS") ERCOT-Regulation Down Service ("Reg-Down") ERCOT Regulation Up ("Reg-Up") ERCOT Non-Spinning Reserve Service ("Non-Spin")
Trading Hours	08:00 – 17:00, Local Eastern Time (LET), Monday – Friday.
Flow Periods	Contracts may be agreed upon for the following types of flow periods: Peak, Off-Peak and Flat,
Quotation	Contract prices are quoted in dollars and cents per MWh
Units of Trading	Any multiple of 1 MWh
Expiration Date	Trading shall cease at the end of the last business day of the contract period designated settlement period
Settlement Terms	Cash
Minimum Price Fluctuation/Price Tick Size	The minimum price fluctuation is quoted in increments of \$0.01 per MWh
Settlement Price	Day Ahead Market Clearing Price - the price for the specified ancillary service for a pricing date will be that day's U.S. Dollar specified price per MWh of the electricity service available on the agreed upon date, as published by ERCOT.
Contract Size	The minimum contract size is 1 MWh and can be defined at the time of agreement
Effective Date	The Effective Date of the Swap must be a business day subject to the appropriate Business Day Convention.
Maturity Date	The Maturity Date may also be referred to as the Termination Date or End Date.
Tenor	<p>The duration of the time from the Effective Date to the Maturity Date.</p> <p>The contract terms available to be traded include:</p> <ul style="list-style-type: none"> a) Daily b) Balance Of Month c) Months d) Quarters e) Seasons f) Half Year g) Calendar Year
Trade Types	Electricity can be traded outright only.
Last Trading Day	Trading terminates at the close of business on the on the last business day of each contract month
Trading Conventions	<ul style="list-style-type: none"> a) Buyer (Payer), the fixed payer is the party of the contract who has bought the commodity or known to be 'long'. b) Seller (Receiver), the floating payer is the party of the contract who has sold the commodity or known to be 'short'
Swap Leg Conventions	<ul style="list-style-type: none"> a) Payment Frequency. Monthly, Quarterly, Semi-Annually, or Annually b) Holiday Calendar. NERC c) 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. d) Fixed Rate. The agreed rate of the product traded

ATTACHMENT B – CERTIFICATION PURSUANT TO CFTC REGULATION 40.2

The undersigned hereby certifies that each product described in this submission complies with the Commodity Exchange Act and the CFTC Regulations thereunder, and that concurrent with the filing of this submission with the Commission, ICAP SEF (US) LLC will be posting on its website, prior to 8:00 a.m. on March 12, 2014, a copy of this submission and a notice of pending product certification of this product with the Commission.

ICAP SEF (US) LLC

A handwritten signature in black ink, appearing to read 'Gregory Compa', is written over a solid horizontal line.

By: Gregory Compa

Title: Chief Compliance Officer

Date: March 11, 2014