SUBMISSION COVER SHEET

Registered Entity Identifier Code **(optional)** **Date: 1-26-14**

IMPORTANT**: CHECK BOX IF CONFIDENTIAL TREATMENT IS REQUESTED.** ☐

ORGANIZATION	TW SEF

FILING AS A: ☐ **DCM** ☒ **SEF** ☐ **DCO** ☐ **SDR** ☐ **ECM/SPDC**

TYPE OF FILING

- **Rules and Rule Amendments**
  - ☐ Certification under § 40.6 (a) or § 41.24 (a)
  - ☐ "Non-Material Agricultural Rule Change" under § 40.4 (b)(5)
  - ☐ Notification under § 40.6 (d)
  - ☐ Request for Approval under § 40.4 (a) or § 40.5 (a)
  - ☐ Made Available to Trade Determination under § 40.5 or § 40.6
  - ☐ Advance Notice of SIDCO Rule Change under § 40.10 (a)
- **Products**
  - ☒ Certification under § 39.5(b), § 40.2 (a), or § 41.23 (a)
  - ☒ Swap Class Certification under § 40.2 (d)
  - ☐ Request for Approval under § 40.3 (a)
  - ☐ Novel Derivative Product Notification under § 40.12 (a)

RULE NUMBERS

DESCRIPTION

Updated IRS Product Listing

TW SEF LLC
1177 Avenue of Americas
New York, NY 10036

January 26, 2014

By email

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

Re: Commission Regulations 40.2(a) and 40.2(d)
Clarification to Class Certification of Interest Rate Swaps

Dear Ms. Jurgens:

TW SEF LLC ("TW") hereby submits to the Commodity Futures Trading Commission (the "Commission"), pursuant to Commission Regulations 40.2(a) and 40.2(d), a clarification to its certification of interest rate swaps ("IRS") for trading on TW's electronic trading system.

This submission letter contains the following attachments:

- Exhibit A is a concise explanation and analysis of IRS;
- Exhibit B is a copy of the IRS Rules, which will be published as contract specifications on TW's website in accordance with TW Rule 901.
- Exhibit C is a concise explanation and analysis of the products' 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), TW hereby certifies that:

(i) Each particular swap within the certified class of swaps is based upon an "excluded commodity" specified in Regulation 40.2(d)(1);

(ii) 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;

(iii) 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

(iv) Each particular swap within the certified class of swaps is based upon an excluded commodity involving an identical currency or identical currencies.

TW certifies that each IRS complies with the CEA and Commission Regulations thereunder.

* * *

In the event that you have questions, please call me at (646) 430-6104.

Yours truly,

s/ Douglas Friedman

Douglas Friedman
General Counsel

Exhibit A

IRS offered by TW SEF may be structured as fixed-to-floating swaps, basis swaps or overnight index swaps ("OIS"). A fixed-to-floating swap is an agreement between two parties to exchange a fixed interest payment for a floating interest payment that may be based on one of the indices listed in Exhibit B and described in Exhibit C. A basis swap is an agreement between two parties to exchange a floating interest payment based on a reference rate for a floating interest payment based on a different reference rate in the same currency. An OIS is an agreement between two parties to exchange a fixed interest payment for a floating interest payment based on the geometric average of an overnight index over every day of the payment period.

Each IRS is available in any one of the following 13 currencies: US Dollar, Canadian Dollar, Euro, Japanese Yen, British Pound, Swiss Franc, Swedish Krona, Danish Krone, Norwegian Krone, Australian Dollar, New Zealand Dollar, Polish Zloty and South African Rand. For each IRS, the underlying tenor ranges from 90 days to 50 years for fixed-to-floating swaps, one year to 50 years for basis swaps, and seven days to 50 years for OIS. Contract sizes are set in notional amounts.

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

Exhibit B

The contract specifications are as follows:

Fixed-to-Floating Swaps	
Currency	USD, CAD, EUR, JPY, GBP, CHF, SEK, DKK, NOK, AUD, NZD, PLN, ZAR
Floating Rate Indices	1M, 3M, 6M LIBOR 3M CDOR 1M, 3M, 6M, 12M EURIBOR 3M STIBOR 6M CIBOR 6M NIBOR 3M, 6M BBR-BBSW 3M BBR-FRA 6M WIBOR 3M JIBAR
Effective Dates	USD: T+2, up to 4 IMM dates (first two IMM dates for par swaps; first four IMM dates for fixed coupon/MAC swaps) plus 4 standardized forward swaps CAD: T+0 EUR: T+2 to T+7, up to 8 IMM dates for par swaps, plus 82 standardized forward swaps JPY: T+2 GBP: T+0 CHF: T+2 SEK: T+2 DKK: T+2 NOK: T+2 AUD: T+1 NZD: T+2 PLN: T+2 ZAR: T+0
Stated Maturity Range	90 days to 50 years
Optionality	No

Dual Currencies	No
Conditional Notional Amounts	No

Basis Swaps	
Currency	USD, EUR
Floating Rate Indices	1M, 3M, 6M LIBOR 3M, 6M EURIBOR
Effective Dates	USD: T+2 EUR: T+2
Stated Maturity Range	1 year to 50 years
Optionality	No
Dual Currencies	No
Conditional Notional Amounts	No

Overnight Index Swaps	
Currency	USD, EUR, GBP
Floating Rate Indices	Fed Funds, EONIA, SONIA
Effective Dates	USD: T+2 EUR: T+2, up to 8 IMM / ECB dates, 12 standardized forward swaps plus custom forward dates GBP: T+0 plus 12 standardized forward swaps CHF: T+2
Stated Maturity Range	7 days to 50 years
Optionality	No
Dual Currencies	No
Conditional Notional Amounts	No

Exhibit C

TW has determined that the IRS certified herein bear upon the following Core Principles:

Core Principle 2 – Compliance with Rules

Trading in IRS will be subject to the TW Rulebook (the "Rules"), which prohibits abusive trading practices, including: acts detrimental to TW (Rule 609) or that are inconsistent with just and equitable principles of trade (Rule 602), fraudulent acts (Rule 603), fictitious or non-competitive transactions (Rule 604), market manipulation (Rule 606), disruptive trading practices (Rule 605), misstatements (Rule 608), wash sales (Rule 613) and pre-negotiated or non-competitive trades, including money passes (Rule 614).

As with all Swaps listed for trading on the Trading System (as such terms are defined in the TW Rulebook), trading activity in IRS will be subject to monitoring and surveillance by TW's Market Regulation Team. TW has the authority to exercise its investigatory and enforcement power where potential Rule violations are identified. *See* Chapter 7 of the Rules.

Core Principle 3 – Swaps Not Readily Susceptible to Manipulation

The amount of interest owed by each party on each IRS class listed by the SEF will be 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 IRS. As specified in Exhibit B, each IRS references one of the following rates (listed alphabetically):

BBR-BBSW (the Bank Bill Reference Rate, or the Bank Bill Swap Interest Rate) is the wholesale interbank rate within Australia and is published by the Australian Financial Markets Association. The BBSW is the borrowing rate among Australia's top market makers and is widely used as the benchmark interest rate for financial instruments.

BBR FRA (the Bank Bill Reference Rate) is the wholesale interbank rate for New Zealand dollars is published by the New Zealand Financial Markets Association.

CDOR, (the Canadian Dealer Offered Rate) is the recognized benchmark index for bankers' acceptances with a term-to-maturity of one year or less. CDOR is determined daily from a survey of nine market makers in bankers' acceptances (BA). The daily survey of money market rates is derived from bid-side prices provided by survey participants. The methodology of CDOR is as follows:

> For each maturity band (1-month BA, 2-month BA, 3-month BA, 6-month BA, 1-year BA and call markets), the high and the low rates taken from the survey are removed and a simple arithmetic average is calculated for the remaining survey rates. High and low bid prices are excluded to minimize any bias in the results. CDOR is calculated on an annual basis for a 365-day year.

CIBOR (the Copenhagen Interbank Offered Rate) is the interest rate at which a bank is prepared to lend Danish kroner to a prime bank on an uncollateralized basis. Five of the leading banks in Denmark participate in fixing the CIBOR in accordance with the rules prescribed by the Danish Bankers association.

Eonia (the Euro OverNight Index Average) is the effective overnight reference rate for the euro. It is computed as a weighted average of all overnight unsecured lending transactions in the interbank market, undertaken in the European Union and European Free Trade Association (EFTA) countries. Eonia is computed with the help of the European Central Bank.

Euribor (the Euro Interbank Offered Rate) is the rate at which euro interbank term deposits are being offered by one prime bank to another within the EMU zone. The choice of banks quoting for Euribor is based on market criteria. These banks are of first class market standing and they have been selected to ensure that the diversity of the euro money market is adequately reflected, thereby making Euribor an efficient and representative benchmark. A strict Code of Conduct sets out rules covering, amongst other things:

- the criteria used to determine which banks may belong to the panel of banks
- the obligations of the Panel Banks
- the tasks and the composition of the Steering Committee, which is responsible for overseeing Euribor.

Thomson Reuters has been chosen as the screen service provider responsible for computing and also publishing Euribor.

Fed funds (the federal funds effective rate) is the interest rate at which depository institutions in the United States actively trade balances held at the Federal Reserve, called federal funds, with each other, usually overnight, on an uncollateralized basis. Institutions with surplus balances in their accounts lend those balances to institutions in need of larger balances. The federal funds rate is an important benchmark in financial markets. The interest rate that the borrowing bank pays to the lending bank to borrow the funds is negotiated between the two banks, and the weighted average of this rate across all such transactions is the “federal funds effective rate.” The “federal funds target rate” is determined by a meeting of the members of the Federal Open Market Committee which normally occurs eight times a year about seven weeks apart. The committee may also hold additional meetings and implement target rate changes outside of its normal schedule. The Federal Reserve uses open market operations to influence the supply of money in the U.S. economy to make the federal funds effective rate follow the federal funds target rate.

JIBAR (the Johannesburg Interbank Agreed Rate) is the interbank offered rate for loans denominated in South African rand, based on the average of rates quoted by local and international banks.

LIBOR (the London Interbank Offered Rate) is the average rate at which contributor banks perceive that they can obtain unsecured funding in the London interbank market for a given period (ranging from 30 days to 30 years in the case of IRS offered by TW

SEF) and in a given currency (TW SEF offers IRS based on 13 currencies as specified in Exhibit B). 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"). Recently, 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 current administrator of LIBOR, have taken steps 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 an upcoming 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.

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.

NIBOR (the Norwegian Interbank Offered Rate) is the interest rate level lenders require for unsecured money market lending in Norwegian kroner, based on interest rates banks charge on lending to leading banks active in the Norwegian money and foreign exchange markets.

SONIA (the Sterling Overnight Index Average) is the weighted average rate of all unsecured overnight sterling transactions brokered in London by members of the Wholesale Markets Brokers' Association. SONIA is also endorsed by the British Bankers Association.

STIBOR (the Stockholm Interbank Offered Rate) is the official interbank offered rate for short term loans in Sweden determined by the Riksbank, Sweden's central bank. STIBOR is the interest rate banks are charged when borrowing from other banks for maturities longer than overnight.

WIBOR (the Warsaw Interbank Offered Rate) is the official interbank offered rate for loans denominated in Polish Zloty, based on the average of rates quoted by 14 money market dealers selected by the National Bank of Poland.

Each of the rates described above, which comprise the reference rates upon which each 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 market for IRS products is large, deep and liquid. Consequently, the 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 Swaps. Such Rules are enforced by the Market Regulation Team.

Core Principle 5 – Ability to Obtain Information

Pursuant to the Rules, TW will have the ability and authority to obtain sufficient information for each IRS to allow TW 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

Rule 409 allows the Company to adopt position accountability levels for Required Transactions. Persons with positions in excess of position accountability levels established by the Company will be required to provide, upon request by the Company, information about their positions in excess of the relevant position accountability threshold and consent to halt any further increases in those positions.

Core Principle 7 – Financial Integrity of Transactions

All Swaps 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, TW will publish daily market volume data reports for each Swap (or class of Swap) in terms of notional value. In addition, TW will publish for each trading day, by tenor of the Swap, the opening price and the high and low prices. TW 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.

TW 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. 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.