

trueEX Advisory 2013-03

TO: All Market Participants

FROM: Fran Kenck
Chief Regulatory Officer

DATE: August 23, 2013

RE: **Position Accountability for Interest Rate Swaps**

Pursuant to trueEX Rule 530, trueEX may establish a position accountability level for any Contract. Any Participant or its Customer(s), who owns or controls Contracts in excess of the applicable position accountability level shall provide to the Exchange Regulation Department at its request any information regarding the nature of the position, trading strategy or hedging activities, if applicable, and if ordered by the Exchange, shall not increase the size of any such position.

The purpose of this notice is to set forth the conditions under which positions must be reported to trueEX and to set the Position Accountability Level for Interest Rate Swaps. This notice pertains to Interest Rate Swaps traded pursuant to Chapter 10 of the trueEX rulebook.

Reporting Requirement

trueEX has established a daily transaction amount that will serve as a trigger to require daily reporting of positions. Positions must be reported to trueEX if transactions executed on trueEX in a single day equal or exceed the amounts in the table below:

Tenor Greater than	Tenor Less than or Equal to	Single Trade Volume (US \$ Notional)	Aggregate Daily Volume (US \$ Notional)
6 months	2 Years	\$2.5 billion	\$10 billion
2 Years	5 Years	\$1 billion	\$4 billion
5 Years	12 Years	\$500 million	\$2 billion
12 Years	30 Years	\$250 million	\$1 billion

For the purposes of determining if the reporting requirement has been triggered:

- Aggregate volume for the day will be gross daily volume, regardless of the direction of the transactions (for example, if a Participant (for its own account) or its Customer engages in a series of transactions in the 10 Year in a single day where it is the payer of \$200 million, \$250 million \$300 million, \$350 million and receiver of \$280 million, \$400 million, \$450 million. The aggregate gross total of these transactions is \$2.23 billion. Even though each transaction was below the Single Trade Volume threshold of \$500

million, the Aggregate Daily Volume exceeds \$2 billion and this Participant would be notified of its obligation to report positions to trueEX.

- Switches will not be double counted. For the purposes of the reporting trigger, trueEX will only count the notional value of the long leg. For example, in a 5 x 10 switch, where the notional amount of the 10 Year leg is \$100 million (note: the short leg notional value is calculated using the DV01 equivalent of the long leg), trueEX will count \$100 million in the 10 Year toward the reporting trigger.

Once any of the reporting thresholds in the table above have been triggered, the party that has reached the reporting level (“Reporting Party”) must report its position in cleared Interest Rate Swaps to trueEX on a daily basis, regardless of where executed. trueEX Rule 403(c) requires a Participant to submit information relating to the Exchange Activity of such Participant or any of its Customers to the Exchange or the Regulatory Service Provider. Such information includes the open trading positions of the Participant or any of its Customers, and Contracts to which they may be a party, as well as all trading activity in the commodity underlying any Contracts and related derivatives markets.

This report must include the DV01 equivalent of all cleared interest rate swaps where the LIBOR reset frequency is 3 months or greater¹ that the Reporting Party currently owns or controls².

Position Accountability

For the purposes of position accountability in Interest Rate Swaps, trueEX has set the position accountability level at \$10 million DV01 across the curve.

In order to effectively monitor the position accountability level, the Reporting Party will be required to report its entire portfolio of cleared interest rate swap positions and related derivatives for the purposes of this requirement.

Once the Reporting Party is subject to daily position reporting, it must report the following related derivative positions to trueEX, in addition to reporting its cleared interest rate swap positions, if the position accountability level has been reached,:

- The DV01 equivalent of positions in 3 Month Eurodollar futures and options
- The DV01 equivalent of positions in Interest Rate Swap futures
- The DV01 equivalent of Interest Rate swaptions

¹ Please see the attached document titled "Large Trader Reporting of Interest Rate Swaps" for the data elements and format requirements.

² trueEX Rule 530(b) provides information regarding the inclusion of positions under the control of the reporting party.

The following interest rate swaps and related derivatives must be omitted:

- Interest rate swaps in which the floating index is 1 month LIBOR, OIS, and Fed Funds
- Cross currency swaps

trueEX reserves the right to amend the requirements at any time at its discretion. The criteria above is based on the fact that trueEX will initially offer US dollar denominated swaps based on LIBOR. This criteria will change upon the introduction of additional currencies and floating indices.

Reporting Procedures

Once the reporting level is triggered, the Reporting Party will be required to report positions to trueEX until such time that trueEX notifies the Reporting Party that it is no longer required. trueEX will provide information to the Reporting Party as to the reporting format, reporting method and timing by the Exchange Regulation Department.

Data File Layout – Large Trader Reporting

Attribute Name	Data Type	Description	Sample Values	FpML Mapping
Value Date	DATE	Date at which the swaps are valued.	MM/DD/YYYY	asOfDate
Originating USI	VARCHAR(255)	Universal Swap Identifier (USI) at time of execution		tradelId
USI	VARCHAR(255)	Post-Novated Universal Swap Identifier (USI)		tradelId
DV01	FLOAT	Dollar value of a one basis point decrease in interest rates		assetMeasureScheme
Notional	FLOAT	Notional amount of the swap.		notionalAmount
Notional Unit	FLOAT	The units in which a notional amount is denominated ¹ .		currency
Direction	VARCHAR(1)	Direction of the trade from the perspective of the position holder	P = Payer of the Rate R = Receiver of the Rate	PayerReceiver.model
Clearing Organization ID	VARCHAR(255)	Populate with LEI of the clearing organization where the swap was cleared ² .		partyID
Reporting Party ID	VARCHAR(255)	Populate with the ID of the reporting party ² .		partyID
Reporting Party ID Source	VARCHAR(255)	Populate this field with the origin of the Reporting Party ID ² .	LEI	partyMessageInformation
Position Holder ID	VARCHAR(255)	Populate with the ID of the Position Holder of the swap ² .		partyID
Position Holder ID Source	VARCHAR(255)	Populate this field with the origin of the Position Holder ID ² .	LEI	partyMessageInformation
Fixed Rate	FLOAT	The calculation period fixed rate. A per annum rate, expressed as a decimal. A fixed rate of 5% would be represented as 0.05.	.05	fixedRate
Floating Rate Index	VARCHAR(255)	Identifies specific index of the floating leg.	USD-LIBOR-BBA	floatingRateIndex
Floating Rate Tenor	VARCHAR(255)	The ISDA Designated Maturity, i.e. the tenor of the floating rate.	3M	indexTenor
Effective Date	DATE	The first day of the term of the trade.	MM/DD/YYYY	effectiveDate
Maturity Date	DATE	The end date of the calculation period.	MM/DD/YYYY	terminationDate
Currency	VARCHAR(3)	Settlement Currency ¹ .	USD	settlementCurrency
PAI	FLOAT	The Price Alignment Interest Total Amount		assetMeasureScheme
Upfront Payment	FLOAT	Specifies a single fixed payment that is payable by the payer to the receiver on the initial payment date.		singlePayment
NPV	FLOAT	The sum of present values of all incoming cash flows and all outgoing cash flows.		assetMeasureScheme
Net Cash Flow	FLOAT	Cash flow as of the value date. This is calculated by the following: NCF = VM + PAI + Upfront Fee + Fixed Coupon + Float Coupon		
Unique Product Identifier	VARCHAR(255)	CFTC's unique ID (UPI) for every product ³ .		productId

¹ Provided in ISO Code 4217 Currency Codes.

² See <http://www.fpml.org/samples/lei.html> for more detail on Legal Entity Identifier (LEI). Use the CICI until the global LEI solution is in place.

³ Usage of this field is pending CFTC clarification.