

SUBMISSION COVER SHEET

Registered Entity Identifier Code (optional) 2014-08SA Date: May 6, 2014

IMPORTANT: CHECK BOX IF CONFIDENTIAL TREATMENT IS REQUESTED.

ORGANIZATION

trueEX LLC

FILING AS A:

DCM

SEF

DCO

SDR

ECM/SPDC

TYPE OF FILING

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)

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

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Rule 524

DESCRIPTION

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This Submission 2014-08SA amends and replaces Submission 2014-08S. This Submission 2014-08SA certifies an amendment to rule 524 of the trueEX rulebook. The amendment will permit pre-arranged trading in respect of swaps listed for trading on the SEF that are not subject to the execution requirement of CEA 2(h)(8). Please see attached letter for more details.



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May 6, 2014

Via E-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: trueEX LLC Rule Amendment Self-Certification (trueEX LLC submission #2014-08SA)

Dear Ms. Jurgens:

Pursuant to § 5c(c)(1) of the Commodity Exchange Act, as amended, (the “Act”) and Commission Regulation § 40.6(a), trueEX LLC (the “Exchange”) hereby certifies to the U.S. Commodity Futures Trading Commission (the “Commission”) the amendment to trueEX Rule 524 described in this letter. Consistent with the Congressional goal of the Dodd-Frank Act,¹ the amendment will promote trading on the trueEX SEF by permitting arranged transactions in respect of contracts that are listed on the trueEX SEF and are Permitted Transactions.² This Submission 2014-08SA amends and replaces Submission 2014-08S. Discussion of the relevant regulations and SEF Core Principle 2 and analysis of compliance with those regulations follows.

a. SEF Core Principle 2 and Related Regulations

Core Principle 2 requires SEFs to, among other things, establish and enforce trading, trade processing, and participation rules that will deter abuses.³ In furtherance of Core Principle 2, the Commission promulgated regulation § 37.203(a), which requires SEFs to establish a rulebook that includes rules prohibiting certain abusive trading practices, including pre-arranged trading.⁴ Block trades permitted by part 43 of CFTC regulations or other types of transactions certified to or approved by the Commission pursuant to the procedures of part 40 of CFTC regulations are expressly both exempt from the general prohibition on pre-arranged trading.⁵

¹ See SEF Final Rules, 78 Fed. Reg. 33476, 33501 (June 4, 2013)(“In keeping with the statutory instruction that the Dodd-Frank Act goal of SEFs is to both ‘promote the trading of swaps on swap execution facilities and to promote pre-trade price transparency in the swaps market’...”).

² As used herein, the term “Permitted Transaction” has the same meaning given to it in CFTC Regulation § 37.9(c)(2).

³ 7 U.S.C. § 7b-3(f)(2)

⁴ See supra note 1 at 33571 (June 4, 2013)(Describing the rule-writing and enforcement-related provisions under Core Principle 2).

⁵ See 17 C.F.R. 37.203(a)

b. Trading Permitted Transactions

Section 2(h)(8) of the Commodity Exchange Act generally requires that swaps that have been made available to trade by a SEF or DCM, must be executed on a SEF or DCM. Regulation § 37.9 implements the execution requirements of § 2(h)(8) by describing acceptable methods of execution for Required Transactions and Permitted Transactions on a SEF. As defined by Regulation § 37.9(c)(1), Permitted Transactions need not be executed on a SEF or a DCM because Permitted Transactions are not subject to the execution requirements of Section 2(h)(8) of the Commodity Exchange Act. Many of the interest rate products the Exchange currently lists for trading on its SEF are Permitted Transactions.⁶

The Exchange is amending rule 524 to allow market participants to arrange Permitted Transactions listed on the SEF (transactions that might otherwise be executed bilaterally) prior to entering the details of the Permitted Transaction into the electronic trading facility of the SEF. Based on dialogue with various market participants, the Exchange understands that market participants currently prefer executing Permitted Transactions on a bilateral basis but have an interest in migrating some of their trading activity in Permitted Transactions to SEFs or DCMs in an effort to comply with various requirements of the Dodd-Frank Act (e.g., SDR reporting and the clearing mandate), provided that doing so is not unduly burdensome. The Exchange's amendment to rule 524 will encourage market participants to trade Permitted Transactions on its SEF and facilitate market participants' compliance with other requirements of the Dodd-Frank Act.

c. Amendment to Rule 524

The Exchange is amending rule 524 to permit pre-arranged transactions in respect of contracts listed for trading on the SEF, subject to following conditions:

- (i) one party to the arrangement enters into the SEF, the details of such contract, and the other party to the arrangement verifies such details in the SEF, in each case, as soon as practicable, but in no event more than 15 minutes following such arrangement;
- (ii) the relevant contract is not a block trade;
- (iii) the relevant contract is a Permitted Transaction; and
- (iv) both parties intend to clear such contract.

Rule 524 is consistent with the SEF Core Principles and the Commission's regulations thereunder. First, the rule amendment only applies to Permitted Transactions, maintaining the required pre-trade transparency for Required Transaction codified in regulation § 37.9(b). Second, amended rule 524 is consistent with regulation § 37.203(a) because regulation § 37.203(a) provides for an exception to the prohibition of pre-arranged trading; provided that the SEF has certified or approved the contracts with the CFTC pursuant to Part 40. Finally, trueEX continues to monitor compliance with and enforce rules 507 and 508, which prohibit market disruption and manipulation, respectively. The written record of the terms of the contract, generated by the SEF, will legally supersede any prior agreement with respect to such terms and serve as the confirmation with respect to such terms.

⁶ See, Chapter 10 of the trueEX rulebook for a description of products listed for trading on the trueEX SEF (*available at <https://www.trueex.com/rules-and-notices>*).

d. *Certification*

The Exchange certifies that this amendment to rule 524 complies with the Act and the Commission's regulations thereunder, including SEF Core Principle 2 and regulations §§ 37.203 and 37.9. There were no substantive opposing views to this rule amendment expressed by the Exchange's governing board or market participants. Furthermore, trueEX certifies that this certification has been concurrently posted on the Exchange's Web Site at <http://www.trueex.com/rules-and-notices>. A redline of the amendment to rule 524 is attached to this letter as Exhibit A. The amendment will be effective on May 20, 2014.

If you have questions regarding this notice, please contact me at (347) 292-6078 or by email at gloria.flinn@trueex.com.

Sincerely,

/s/ Gloria Flinn

Gloria J. Flinn
Acting Chief Legal Officer

cc: dmosubmissions@cftc.gov
submissions@cftc.gov
Fran Kenck, trueEX LLC

EXHIBIT A

RULE 524. Pre-arranged, Pre-Execution Communications and Non-competitive Trades Prohibited

(a) No Person shall pre-arrange ~~any~~ purchase or sale, or non-competitively execute, any transaction except in accordance with Rule 524(b) or Rule 524(c).

(b) The foregoing restriction shall not apply to Block Trades affected pursuant to Rule 542(a).

(c) ~~Pre-arranged Trades and Pre-Execution Communications Regarding Platform Trades. Parties may.~~ A Participant may engage in pre-execution communications or arrange the purchase or sale of a Contract, subject to the following conditions.

(i) Transactions on the DCM Trading System. Parties may communicate, directly or indirectly, with regard to ~~transactions executed on the Platform Order for a Contract listed for trading on the DCM Trading System~~ where one party (the first party) wishes to be assured that a contra party (the second party) will take the opposite side of the Order, subject to the following restrictions:and

~~A person may not engage in pre-execution communications with other market participants on behalf of another party unless~~

(A) the party for whose benefit the trade is being made has previously consented to permit such communications;

(B) parties to, and persons involved in, a pre-execution communications shall do not; disclose to a nonparty the details of such communications or enter an Order to take advantage of information conveyed during such communications except in accordance with this Rule 524(c); and

(C) the Order details will beare entered by one of the parties into the ~~Platform. The first party's Order will be~~ DCM Trading System and displayed in a ~~public session to give~~ manner that gives other Participants the opportunity to participate in the Order. -The second party's Order will not be matched against the first party's Order on the DCM Trading System until a period of 5 seconds has elapsed from the time of entry of both party's Orders. - After the 5 seconds have elapsed, any portion of the first party's Order that was unfilled during the public session will be matched by the second party's Order.

(ii) Permitted Transaction on the SEF Trading System. A Participant may arrange with another Participant for the execution of a Contract listed on the SEF Trading System, prior to submitting the details of such Contract to the SEF Trading System; provided that:

(A) one party to the arrangement enters into the SEF Trading System, the details of such Contract as required by the SEF Trading System, and the other party to the arrangement verifies such details in the SEF Trading System, in each case, as soon as practicable, but in no event more than 15 minutes following the conclusion of such arrangement;

(B) the relevant Contract is not a Block Trade;

(C) the relevant Contract is a Permitted Transaction, and

(D) both parties intend to clear such Contract at a Clearing House.

(iii) The Exchange shall generate and deliver to each Participant a written record of the details of the Contract that is executed subject to Rule 524(c)(ii) as soon as technologically practicable after Contract details are verified on the SEF Trading System by the Participant responsible for verifying such details. The written record generated and delivered to each Participant according to this Rule shall legally supersede any previous agreement between the parties regarding any of the details contained in such written record and shall serve as a confirmation of such details.

(iv) Each party to a Contract that is subject to this Rule 524(c) shall be responsible for ensuring that the execution of such Contract complies with Applicable Law.