

SUBMISSION COVER SHEET

Registered Entity Identifier Code (optional) 2014-13D Date: June 30, 2014

IMPORTANT: CHECK BOX IF CONFIDENTIAL TREATMENT IS REQUESTED.

ORGANIZATION trueEX LLC

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)
- 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

Policies and Procedures related to Rule 541 regarding cancellation of swap transactions rejected for clearing.

DESCRIPTION

Please see the attached letter and Exhibit 1 attached thereto.

June 30, 2014

Via E-Mail: submissions@cftc.gov

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

RE: Policies and Procedures regarding trades not accepted for clearing; trueEX LLC Submission #2043-13D and #2014-13S.

Dear Ms. Jurgens:

Pursuant to Commodity Futures Trading Commission (“CFTC”) Regulation 40.6(a), trueEX LLC (“trueEX” or the “Exchange”) self-certifies the revised policies and procedures (the “Policies and Procedures”) regarding trades executed on the trueEX DCM and SEF Trading Systems with the intention to clear but, subsequently not accepted for clearing (such trades, “Applicable Trades”). The Policies and Procedures are set forth in Exhibit 1 to this letter.

The Policies and Procedures will become effective on July 15, 2013¹. These revised Policies and Procedures have been amended to remove reference to the “new trade, old terms” procedure and the related conditions allowed under the terms of CFTC No Action Letters 13-66 and 14-50. Accordingly, all trades executed on the DCM and SEF Trading Systems that are intended to be cleared but are rejected for clearing for any reason by the Clearinghouse or respective Clearing Firms of the counterparties to the trade will be *void ab initio*. The Exchange certifies that these Policies and Procedures comply with the requirements of the Commodity Exchange Act and the rules and regulations promulgated thereunder, including, but not limited to, SEF Core Principle 7 and CFTC Regulation 37.701, and DCM Core Principle 11 and CFTC Regulation 38.601.

There are no substantive opposing views that were expressed by Board or committee members, members of the Exchange or market participants that were not incorporated into the Policies and Procedures. The Exchange certifies that this notice has

¹ The above referenced No-Action Letters expire on June 30, 2014. Although the effective date of the trueEX Policy and Procedures is July 15, 2014, trueEX recognizes that it is not acceptable to allow any trades rejected for clearing for operational or clerical errors to be submitted via the “new trades, old terms” procedure after June 30, 2014. As such, any trades executed on the DCM or SEF Trading Systems subsequent to June 30, 2014 will be *void ab initio*.

been concurrently posted on the Exchange's Website at <http://www.trueex.com/rules-and-notices>.

If you have questions regarding this notice, please contact me at (312) 320-8934 or by email at fran@trueex.com.

Sincerely,



Fran Kenck
Chief Regulatory Officer
Chief Compliance Officer

cc: dmosubmissions@cftc.gov
submissions@cftc.gov
Roger Smith – Attorney Advisor, DMO
Alexis Hall-Bugg – Special Counsel, DMO

EXHIBIT 1



*Certainty of Clearing
Standards and Protocols
July 15, 2014¹*

Capitalized terms in this policy that are not defined herein shall have the meaning assigned to them in the trueEX Rulebook (as amended from time to time).

¹ Due to the timing requirements necessary to self-certify the changes in trueEX's Certainty of Clearing Standards and Protocols, the effective date of this revised policy is effective July 15, 2014. However, the revisions to this policy are being made due to the expiration of No Action Letters 13-66 and 14-50 on June 30, 2014. As such, subsequent to June 30, 2014, trueEX will not allow any trades rejected for clearing for operational or clerical errors to be submitted via the "new trades, old terms" procedure. Any trades executed on the DCM or SEF Trading Systems that are rejected for clearing for any reason subsequent to June 30, 2014 will be *void ab initio*.

1.1 INTRODUCTION

trueEX has developed these Clearing Certainty Standards and Protocols (“**Clearing Protocols**”) to address Contracts that are not accepted for clearing within the Regulatory Cut-off (as defined below). These Clearing Protocols apply to transactions executed and intended to be cleared on both the DCM and SEF Trading Systems

1.2 REAL-TIME CLEARING STATUS TRACKING

trueEX provides near real-time clearing status messaging and prompt clearing resolution for its Sponsored Access Customers, Participants and their Customers in compliance with Applicable Law. As soon as technologically practicable after a Transaction is executed on the trueEX Platform, an electronic message containing the Transaction details will be automatically transmitted by the Platform to the relevant Clearing House. The Transaction details in the electronic message will include the account and Clearing Firm that each Participant has identified as its Clearing Firm for that Transaction.

Transactions executed on the SEF Trading System or the DCM Trading System that are intended to be cleared must either be accepted or rejected for clearing by the applicable Clearing House and applicable Clearing Firms as quickly after execution as would be technologically practicable if fully automated systems were used (“**Regulatory Cut-off**”). Clearing Houses indicate the acceptance or rejection of a Contract for clearing by transmitting a response in the form of an electronic message delivered directly to the Platform (“**Clearing Message**”).

The Platform displays to firms and users on the Platform the Clearing Message on the user interface as a clearing status (“**Clearing Status**”). A Clearing Status of “pending” is displayed during the period of time between execution of the Contract and receipt of the Clearing Message in relation to such Contract. A Clearing Status of “accepted” means the Clearing House has responded that both the relevant Clearing Firms and Clearing House have agreed to accept the Contract for clearing. A Clearing Status of “rejected” means the Clearing House has responded that either the Clearing House or the relevant Clearing Firm(s) did not accept the Contract for clearing. In the case of a “rejected” Clearing Status, the SEF Trading System or the DCM Trading System, as applicable, will automatically generate an electronic mail addressed to trueEX staff containing the reason underlying the Clearing Message. All such Transactions that are rejected shall be *void ab initio*. trueEX, through the use of functionality on the Platform, will electronically cancel all legs of the Transaction that were rejected for clearing.

Promptly after trueEX staff receives the automatically generated electronic mail containing the reasons underlying the Clearing Message, trueEX staff will notify both parties to the Transaction that the Contract was cancelled because it was not accepted

for clearing and report the cancellation of such Contract to the relevant SDR in accordance with Applicable Law.

1.3 SDR REPORTING

Because trueEX reports the details of all swap Transactions to relevant swap data repository (“**SDR**”) as soon as technologically practicable after the Transaction has been executed on the Platform, it is necessary for trueEX to report the cancellation of a Transaction that is *void ab initio* to the SDR. Concurrently with the cancellation of the Contracts on the Platform by trueEX staff, a message is also sent electronically to the SDR to report the cancellation.

1.4 LIABILITY FOR CANCELLED CONTRACTS

Notwithstanding anything to the contrary in the Rulebook, no Participant or Customer, as the case may be, who is a party to a Contract that is not accepted for clearing shall be entitled to submit a claim that relates to the cancellation of a Contract under these Clearing Protocols. trueEX shall not be liable for any cost, loss, damage, expense or fee related to a Contract is cancelled pursuant to these Clearing Protocols.

trueEX does not require breakage agreements as a condition of allowing access to transact on its Platform. Furthermore, trueEX expressly prohibits Participants and Sponsored Access Customers from requiring breakage agreements with other Participants and Sponsored Access Customers as a condition of trading with each other on trueEX.

trueEX will take appropriate steps as it deems necessary in its sole discretion to suspend either the Participant, Sponsored Access Customers, their respective Customers or Clearing Firm from the Platform depending on the severity of the risk concerns that results in a Contract that is canceled pursuant to these Clearing Protocols.

1.5 RULES OF CONSTRUCTION

In the event of a conflict between the Rulebook and these Clearing Protocols, these Clearing Protocols shall govern.