

# SUBMISSION COVER SHEET

**IMPORTANT:** Check box if Confidential Treatment is requested

Registered Entity Identifier Code (optional): 2014-19S

Organization: trueEX LLC

Filing as a:  DCM  SEF  DCO  SDR Please note - only ONE choice allowed.

Filing Date (mm/dd/yy): 12/19/2014 Filing Description:

clarifying amendments to Rule 1002 - MAC Interest Rate Swaps

**SPECIFY FILING TYPE** Please note only ONE choice allowed per Submission.

## Organization Rules and Rule Amendments

- |  |            |
|--|------------|
| <input type="checkbox"/> Certification                       | § 40.6(a)  |
| <input type="checkbox"/> Approval                            | § 40.5(a)  |
| <input type="checkbox"/> Notification                        | § 40.6(d)  |
| <input type="checkbox"/> Advance Notice of SIDCO Rule Change | § 40.10(a) |
| <input type="checkbox"/> SIDCO Emergency Rule Change         | § 40.10(h) |

Rule Numbers: \_\_\_\_\_

## New Product

Please note only ONE product per Submission.

- |  |            |
|--|------------|
| <input type="checkbox"/> Certification                         | § 40.2(a)  |
| <input type="checkbox"/> Certification Security Futures        | § 41.23(a) |
| <input type="checkbox"/> Certification Swap Class              | § 40.2(d)  |
| <input type="checkbox"/> Approval                              | § 40.3(a)  |
| <input type="checkbox"/> Approval Security Futures             | § 41.23(b) |
| <input type="checkbox"/> Novel Derivative Product Notification | § 40.12(a) |
| <input type="checkbox"/> Swap Submission                       | § 39.5     |

Official Product Name: \_\_\_\_\_

## Product Terms and Conditions (product related Rules and Rule Amendments)

- |  |                      |
|--|----------------------|
| <input type="checkbox"/> Certification   | § 40.6(a)            |
| <input type="checkbox"/> Certification Made Available to Trade Determination     | § 40.6(a)            |
| <input type="checkbox"/> Certification Security Futures                          | § 41.24(a)           |
| <input type="checkbox"/> Delisting (No Open Interest)                            | § 40.6(a)            |
| <input type="checkbox"/> Approval  | § 40.5(a)            |
| <input type="checkbox"/> Approval Made Available to Trade Determination          | § 40.5(a)            |
| <input type="checkbox"/> Approval Security Futures                               | § 41.24(b)           |
| <input type="checkbox"/> Approval Amendments to enumerated agricultural products | § 40.4(a), § 40.5(a) |
| <input type="checkbox"/> "Non-Material Agricultural Rule Change"                 | § 40.4(b)(5)         |
| <input checked="" type="checkbox"/> Notification                                 | § 40.6(d)            |

Official Name(s) of Product(s) Affected: MAC Interest Rate Swaps

Rule Numbers: 1002

December 19, 2014

**Via E-Mail: [submissions@cftc.gov](mailto:submissions@cftc.gov)**

Christopher J. Kirkpatrick  
Acting Secretary of the Commission  
Commodity Futures Trading Commission  
Three Lafayette Centre  
1155 21st Street, N.W.  
Washington, D.C. 20581

**RE: Weekly Notification of Rule Amendments; Submission Pursuant to Regulation 40.6(d) (trueEX LLC submission #2014-19S)**

Dear Mr. Kirkpatrick:

Pursuant to Commodity Futures Trading Commission (“CFTC”) Regulation 40.6(d), trueEX LLC (“trueEX”) submits this weekly notification of the following rule amendments made effective on the date set forth below during the calendar week preceding the date of this notice.

On December 12, 2014, trueEX made the following non-substantive changes to its rulebook:

**Rule 1002 Market Agreed Coupon (MAC) Interest Rate Swap Contracts**

- **Listing Criteria.** trueEX amended this rule to allow for the Series Listing Criteria. trueEX previously listed two Series concurrently and this rule change allows for the concurrent listing of a third Series during the current IMM month.
- **Quoting Convention.** trueEX clarified the Quoting Convention to reflect that the MAC Swap can be quoted either as a function of price or Upfront Payment.
- **Minimum Price Increment.** trueEX amended this rule to reflect the minimum price increments in effect for MAC IRS contracts, both when it is quoted based on price or UpFront Payment. In all cases, the minimum price increments were lowered to reflect the functionality of the Platform.
- **Upfront Fee Calculation.** trueEX amended the Upfront Fee calculation to correct errors in the formula used for calculation of the fee depending on whether the swap trades at a premium or discount.
- **Block Trades.** trueEX amended the language to clarify the minimum block sizes applicable to MAC IRS.
- **Schedule 1002** was amended to clarify the MAC Swaps that are listed for trading on the trueEX DCM and SEF Trading Systems.

The revisions to Rule 1002 and Schedule 1002 are redlined and are attached as Exhibit A and B, respectively

trueEX certifies that these rules amendments comply with the Act and the Commission's regulations thereunder. All changes are non-substantive in nature and clarify the terms and conditions of the MAC IRS offered by trueEX.

There were no substantive opposing views expressed by the trueEX governing board or market participants to the rule amendments. trueEX certifies that this certification has been concurrently posted on the Exchange's Web Site at <http://www.trueex.com/rules-and-notice>. These amendments were effective on December 12, 2014.

If you have questions regarding this notice, please contact me at (646) 786-8527 or by email at [fran@trueex.com](mailto:fran@trueex.com).

Sincerely,



Fran Kenck  
Chief Compliance Officer/Chief Regulatory Officer

cc: submissions@cftc.gov  
dmosubmissions@cftc.gov  
regulatory@trueex.com

**RULE 1002. Market Agreed Coupon (MAC) Interest Rate Swap Contracts**

(a) **Contract Description.** This Contract is a forward starting Fixed for Floating Interest Rate Swap that exchanges periodic fixed interest payments at a rate equal to the market agreed coupon recommended by the Securities Industry and Financial Markets Association Asset Management Group (SIFMA AMG) for the relevant Tenors and Currencies. This Rule 1002 contains general information about the Contract terms and conditions. Contracts eligible for trading on the DCM Trading System and SEF Trading System, as well as the attributes related to each Currency can be found on Schedule 1002 on the Web Site ([www.trueex.com](http://www.trueex.com)).

(b) **Trading Hours.**

(i) **DCM Trading Hours.** The Trading Hours of the DCM Trading System that are applicable to the Contract described in this Rule 1002 will commence each Business Day at 7:30 a.m. New York time and end each Business Day at 5:00 p.m. New York time.

(ii) **SEF Trading Hours.** The Trading Hours of the SEF Trading System that are applicable to the Contract described in this Rule 1002 will be as follows:

- The RFQ Trading Hours will commence each Business Day at 7:30 a.m. New York time and end each Business Day at 5:00 p.m. New York time.
- The PTC Trading Hours will commence each Business Day at 7:30 a.m. New York time and end each Business Day at 6:00 p.m. New York time

(c) **Currency.** US Dollar, British Pound, Euro, Japanese Yen

(d) **Listing/Trading Conventions.** The terms of a MAC Swap are based on the criteria below.

(i) **Series.** The Exchange will list four MAC Swap Series each year on a quarterly cycle, in connection with quarterly International Monetary Market (IMM) dates, in March, June, September and December. Each Series will be identified by the month and year of their applicable IMM start date.

Prior to December 2014:

(A) **On-the-Run.** The two most current Series will be listed concurrently for trading at any one time.

(B) **Off-the-Run.** After the Last Trading Day of an On-the-Run MAC Swap Series, the Series will be listed as Off-the-Run for one year after its Last Trading Day as an On-the-Run Swap. Transactions in Other Tenors, (with the exception of Block Trades) are executed through the System's Off-the-Run trading functionality. All such trades will be subject to the requirements of Exchange Rule 524(c).

From December 2014: Two Series will be available at any point in time, with a third Series being added in the month of the most current IMM date, as follows:

(C) **Nearby and Second Series.** The two most immediate (Nearby and Second) Series will be available concurrently for trading at any one time. Provided these swaps meet other made available to trade criteria, transactions in the Nearby and Second Series will represent Required Transactions.

(D) Third Series. The Exchange will list a Third Series in the month of the most current IMM date (for example, in October and November, the December and March Series will be available as the Nearby and Second Series, respectively. In December, the June Series will be listed as the Third Series concurrently with the December and March Series).

(ii) Tenor. The duration of time from the Effective Date of the MAC Swap to the Maturity Date. The Exchange may list Tenors of 1, 2, 3, 4, 5, 7, 10, 15, 20 and 30 years for each Series.

(iii) Holiday Calendar. New York and London

(iv) 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.

(v) First Trading Day.

Prior to December 2014:

(A) On-the-Run. Six months and two business days prior to the IMM date for the Series. IMM dates are the third Wednesday in March, June, September and December. For example, the first trading day for the September Series will be two business days prior to the March IMM date.

(B) Off-the-Run. One business day after the Last Trading Day as an On-the-Run MAC Swap.

From December 2014:

(C) Nearby and Second Series are listed concurrently.

~~(C)~~(D) Third Series. The First Trading Day of the Third Series is the first Business Day of the current IMM month. At its discretion, the Exchange reserves the right to make the Third Series available earlier or later than the First Business Day of the current IMM Month, provided SIFMA AMG's MAC Sub-Committee has published recommended MAC coupons for the Third Series.

(vi) Last Trading Day

Prior to December 2014:

(A) On-the-Run. Three business days prior to the IMM date for the Series.

(B) Off-the-Run. One year after the Last Trading Day as an On-the-Run MAC Swap.

From December 2014:

(C) Nearby Series. The Last Trading Day applies to Nearby Series Only. The Last Trading Day for which transactions in the Nearby Series will be deemed to be Required Transactions will be one Business Day prior to the current IMM date. On the

current IMM date, the Nearby Series will become a previous Series (known as a grey Series), the Second Series will become the new Nearby Series, and the Third Series will become the new Second Series.

(D) Transactions in each previous Series will be available on the DCM and SEF Trading Systems as Permitted Transactions.

(vii) MAC Fixed Rate. The market agreed coupon rate for each Series will be equal to the MAC coupons recommended by SIFMA AMG's MAC Sub-Committee and published periodically at [www.sifma.org](http://www.sifma.org).

(A) Methodology. The MAC coupon for each Tenor of a Series will be set close to par based on the three month or six month forward curve rounded up or down to the nearest 25 basis points.

(B) Adjustments. The Exchange reserves the right to adjust MAC Fixed Rates in the event forward rates move more than 50 basis points from the MAC Fixed Rate for any Tenor in a Series. The Exchange will list the adjusted Series (referred to as Version) on the first business day following the rate adjustment. The original Series and any subsequent Versions will be available ~~On the Run~~ until the Last Trading Day for the Series, at which time they will become previous (or grey) Series.

(viii) Trade Types. The Platform may support the following trade types:

(A) Outrights.

(B) Switches.

(1) Calendar Switches (including rolls). Calendar switches/rolls are simultaneous trades of two different Series of the same Tenor (for example, June 5 year vs. September 5 year). ~~Calendar Switch prices will be quoted as the difference between the later start date and the earlier start date.~~

(2) Tenor Switches. Tenor switches are simultaneous trades of two Tenors in the same Series (e.g. June 5 year vs. June 10 year). ~~Tenor Switch prices will be quoted as the difference between the longer Tenor and the shorter Tenor.~~

(C) Block Trades has the meaning as defined in Chapter 1 of this Rulebook.

(ix) Contract size

(A) ~~On the Run and Off the Run.~~ Minimum notional size of \$1 Million USD and increments of \$1 Million USD.

(B) Block Trades. Minimum notional size as indicated in Rule 1002(e) and increments of \$1 Million USD.

(x) Quoting convention.

(A) Outrights. A MAC Swap will be quoted based on price ~~-(not yield)~~, where 100 points equals par ~~-~~, or can be quoted based on the Upfront Payment (which is a function of price).

(B) Switches.

(1) Calendar Switch prices will be quoted as the difference between the later start date and the earlier start date.

(2) Tenor Switches. Tenor Switch prices will be quoted as the difference between the longer Tenor and the shorter Tenor.

(C) Minimum Price Increments. For Outrights and Switches, Minimum Price Increments are:

(1) .001 when MAC Swap is quoted in Price

(2) \$1 when MAC Swap is quoted as Upfront Payment

| <b>Tenor</b> | <b>Minimum Price Increment (Outrights)</b> |
|--------------|--|
| 1 year       | .001 of a point                            |
| 2 year       | .002 of a point                            |
| 3 year       | .002 of a point                            |
| 5 year       | .005 of a point                            |
| 7 year       | .005 of a point                            |
| 10 year      | .01 of a point                             |
| 15 year      | .01 of a point                             |
| 20 year      | .02 of a point                             |
| 30 year      | .02 of a point                             |

Minimum price increments for Switches will be the Outright minimum price increment of the shorter tenor of the Switch as indicated in the table above.

(xi) Upfront Payment. An upfront payment will be exchanged between the payer and the receiver of an MAC Swap. The direction and amount of the payment is dependent on the price at which the MAC Swap was transacted on.

(A) Payment Direction.

(1) If Price > 100, the Fixed Rate Payer receives payment from the Fixed Rate Receiver.

(2) If Price < 100, the Fixed Rate Payer makes payment to the Fixed Rate Receiver.

~~If Price > 100, the Fixed Rate Payer receives payment from the Fixed Rate Receiver.~~

(B) Payment Calculation. Upfront Payment is calculated using the following formula:

$$\text{Notional Amount} * (100 - \text{Price}) / 100$$

(1) If P > 100 (implying that the current market fixed rate is less than the MAC Fixed Rate), the payment will be calculated as follows:

$$P = 100 + \frac{\text{Upfront Payment} * 100}{\text{Notional}} \quad \text{OR} \quad \text{Upfront Payment} = \frac{\text{Notional} * (P-100)}{100}$$

(2) If P < 100 (implying that the current market fixed rate is greater than the MAC Fixed Rate), the payment will be calculated as follows:

$$P = 100 - \frac{\text{Upfront Payment} * 100}{\text{Notional}} \quad \text{OR} \quad \text{Upfront Payment} = \frac{\text{Notional} * (100-P)}{100}$$

(C) Final Settlement Date and Price. Settlement of the upfront payment will occur on T+2-1 and is calculated as described in (B) above.

(e) Block Trades.

(i) Minimum Notional Sizes. A Block Trade in a MAC Swap, ~~as a forward starting Fixed for Floating Interest Rate Swap, is deemed to be Off the Run as that term is defined in Rule 1001(i)(ii)(B). As such, each Tenor within a Series or Version~~ will be subject to the same minimum block size for ~~Off the Run~~ Fixed for Floating Interest Rate Swaps as indicated in Rule 1001(t)(i).

(ii) Reporting. All Block Trades must be reported to the Exchange as soon as technologically practicable.

(f) Clearing House. CME or LCH. Choice of Clearing House is determined at the time of order entry. See Schedule 1002 for Clearing House availability on the Platform

(g) Terms of the Forward Starting Swap

(i) Buyer of the MAC Swap receives fixed interest rate and pays floating interest rate.

(ii) Seller of the MAC Swap pays fixed interest rate and receives floating interest rate.

(iii) Fixed Leg

(A) Payment Frequency. Semi-Annually, Annually

(B) Day Count Convention. 30/360, actual/365

(C) Holiday Calendar. New York and London

(D) 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.

(E) Fixed Rate. The MAC Fixed Rate as described in (d)(vii) above.

(iv) Floating Leg

(A) Reset Frequency. Quarterly, Semi-Annually



(B) Day Count Convention. actual/360, actual/365

(C) Holiday Calendar. New York and London

(D) 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.

(E) Interest Rate Benchmark. LIBOR, Euribor, TIBOR

(v) Effective Date (also referred to as Start Date). The Effective date is the IMM date of the Series (i.e. the effective date of a June 2013 MAC Swap is the June 2013 IMM date). This is the first date from which fixed and floating interest amounts accrue.

(vi) Maturity Date. The final date until which Fixed and Floating amounts accrue. The Maturity Date may also be referred to as the Termination Date or End Date. For a MAC Swap, the Maturity Date will be the same calendar month and date as the Effective Date.

(vii) Roll Day Convention. The date used for determining all fixed and floating Reset Dates for the life of the swap after its Effective Date. Roll Days define the beginning and end of Fixed and Floating interest accrual periods. Roll Day marks the start of a new interest accrual period, and is the day on which a Reset Rate takes effect. For a MAC Swap, Roll Day is the same date of the month as the Effective Date.

(viii) Floating Reset Dates. Dates utilized to determine the Floating Rate amounts for each interest accrual period during the life of the swap after its Effective Date. The Reset Date is 2 London business days prior to the Roll Date that begin each interest accrual period.

(ix) First Period Fixing Date. The Fixed Rate is the MAC Fixed Rate as described in (d)(vii) above. The Floating Rate for the first interest period is fixed 2 business days prior to the Effective Date.

Exhibit B

Schedule 1002: USD CLOB MAC Interest Rate Swaps (DCM CLOB and SEF RFQ)

|                              |   |
|------------------------------|---|
| <p><b>Effective Date</b></p> | <p><u>CLOB:</u></p> <ul style="list-style-type: none"> <li>• Outrights: Current and upcoming IMM start dates</li> <li>• <u>Calendar Switches/Rolls</u>: Not Available</li> <li>• <u>Tenor</u> Switches: Not Available</li> <li>• Butterflies: Not Available</li> </ul> <p><u>RFQ:</u></p> <ul style="list-style-type: none"> <li>• Outrights: IMM start dates since March 2013</li> <li>• <u>Calendar Switches/Rolls</u>: previous, current, and upcoming IMM start dates</li> <li>• <u>Tenor</u> Switches: Current and upcoming IMM start dates</li> <li>• Butterflies: Current and upcoming IMM start dates</li> </ul> <p><u>Block (DCM):</u></p> <ul style="list-style-type: none"> <li>• Outrights: IMM start dates since March 2013</li> <li>• <u>Calendar Switches/Rolls</u>: Not Available</li> <li>• <u>Tenor</u> Switches: Not Available</li> <li>• Butterflies: Not Available</li> </ul>  |
| <p><b>Maturity Date</b></p>  | <p><u>CLOB:</u></p> <ul style="list-style-type: none"> <li>• Outrights: Tenors of 1, 2, 3, 4, 5, 7, 10, 15, 20, and 30 years</li> <li>• <u>Calendar Switches/Rolls</u>: Not Available</li> <li>• <u>Tenor</u> Switches: Not Available</li> <li>• Butterflies: Not Available</li> </ul> <p><u>RFQ:</u></p> <ul style="list-style-type: none"> <li>• Outrights: Tenors of 1, 2, 3, 4, 5, 7, 10, 15, 20, and 30 years (4 year not available prior to March 2014)</li> <li>• <u>Calendar Switches/Rolls</u>: Tenors of 1, 2, 3, 4, 5, 7, 10, 15, 20, and 30 years</li> <li>• <u>Tenor</u> Switches: Combinations of tenors of 1, 2, 3, 4, 5, 7, 10, 15, 20, and 30 years</li> <li>• <u>Butterflies</u>: Combinations of tenors of 1, 2, 3, 4, 5, 7, 10, 15, 20, and 30 years</li> </ul> <p><u>Block (DCM)*:</u></p> <ul style="list-style-type: none"> <li>• Outrights: Tenors of 1, 2, 3, 4, 5, 7, 10, 15, 20, and 30 years (4 year not available prior to March 2014)</li> <li>• <u>Calendar Switches/Rolls</u>: Not Available</li> <li>• <u>Tenor</u> Switches: Not Available</li> <li>• Butterflies: Not Available</li> </ul> |

|                                |  |
|--------------------------------|--|
| <b>Roll Date</b>               | Calendar roll date (standard rolls, not IMM rolls)   |
| <b>Settlement Fee Date</b>     | Trade date + 1   |
| <b>Quotes</b>                  | <ul style="list-style-type: none"> <li>• CLOB/Block Outrights quoted in decimal price (ex. A quote of 100.253 on a notional of 100M will yield an upfront fee of \$253,000.00)</li> <li>• RFQ Outrights quoted in NPV (upfront fee)</li> <li>• <u>Calendar Switches/Rolls</u> quoted in NPV (upfront fee)</li> <li>• <u>Tenor Switches</u> quoted in NPV (upfront fee)</li> <li>• Butterflies quoted in NPV (upfront fee)</li> </ul> |
| <b>Fixed Frequency</b>         | Semiannual (6 Month)   |
| <b>Fixed Day Count</b>         | 30/360   |
| <b>Float Frequency</b>         | Quarterly (3 Month)  |
| <b>Float Day Count</b>         | Actual/360   |
| <b>Interest Rate Benchmark</b> | 3 Month LIBOR  |
| <b>Holiday Schedules</b>       | USNY and GBLO  |
| <b>Business Day Convention</b> | Modified following   |

\*Block Trades are also eligible to be traded on the trueEX SEF Trading System via the RFQ Functionality. Block size Switches/Rolls and Butterflies can be traded as Block Trades on the SEF Trading System provided each leg meets Block size.