

SUBMISSION COVER SHEET

Registered Entity Identifier Code (optional)

Date: 09/29/2013

IMPORTANT: CHECK BOX IF CONFIDENTIAL TREATMENT IS REQUESTED.

ORGANIZATION

GFI Swaps Exchange 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)
- Made Available To Trade Determination under § 40.5 or § 40.6
- Advance Notice of SIDCO Rule Change under § 40.10 (a)

• **Products**

- Certification under § 40.2 (a) or § 41.23 (a)
- Submission under § 39.5
- Swap Class Certification under § 40.2 (d)
- Request for Approval under § 40.3 (a)
- Novel Derivative Product Notification under § 40.12 (a)

RULE NUMBERS

N/A

DESCRIPTION

Self-Certification of Class of U.S. dollar LIBOR Interest Rate Swaps



September 29, 2013

BY ELECTRONIC 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: Commission Regulations 40.2(a) and 40.2(d) –
Class Certification of U.S. Dollar LIBOR Interest Rate Swaps**

Dear Ms. Jurgens:

GFI Swaps Exchange LLC (“GFI”) hereby notifies the Commodity Futures Trading Commission (the “Commission”), pursuant to Commission Regulations 40.2(a) and 40.2(d), that it is certifying a class of interest rate swaps (“IRS”) referencing U.S. dollar London Interbank Offered Rate (“LIBOR”) for trading on GFI’s electronic trading platform (the “Trading Platform”).

GFI will list the class of IRS no earlier than October 2, 2013.

This submission letter contains the following attachments:

- The submission cover sheet.
- Attached as Exhibit A, a concise explanation and analysis of IRS.
- Attached as Exhibit B, a copy of the IRS Rules, which will be published as contract specifications on GFI’s website in accordance with GFI Rule 1101.
- Attached as Exhibit C, 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), GFI hereby certifies that:

- (i) That each particular swap within the certified class of swaps is based upon an “excluded commodity” specified in Regulation 40.2(d)(1);
- (ii) That 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) That 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) That each particular swap within the certified class of swaps is based upon an excluded commodity involving an identical currency or identical currencies.

GFI certifies that each IRS complies with the CEA and Commission Regulations thereunder. GFI additionally certifies that it has concurrently posted a copy of this submission letter and attachments hereto on GFI's website.

* * *

In the event that you have questions, please contact the undersigned at (212) 968-2982 or daniel.glatter@gfigroup.com.

Sincerely,



Daniel E. Glatter

Exhibit A

Each IRS is a cash-settled swap based on three month U.S. dollar LIBOR that can be structured as a basis swap, overnight indexed swap ("OIS"), market agreed coupon ("MAC") or forward rate agreement ("FRA"). 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. Typically, OIS references the USD federal funds rate as its benchmark. A MAC is a swap in which the fixed rate will be pre-set based upon International Monetary Market dates, with potentially multiple fixed rates for unique instruments. An FRA is an agreement between two parties to exchange a fixed interest rate payment for a floating interest rate payment based on a spot date reference rate.

For each IRS, the underlying tenor ranges up to 50 years. Contract sizes are set in notional amounts.

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

Exhibit B

GFI Contract Specifications

The terms and conditions of the swap as established by the DCO in its rules or bylaws are incorporated by reference herein and are the terms and conditions of the swap. The swaps have the following characteristics:

<i>Specification</i>	Fixed-to-Floating Swap
1. Currency	U.S. Dollar (USD)
2. Floating Rate Indexes	LIBOR
3. Stated Start Date Range	28 days to 50 years Spot & Forward starting, and broken dates (bespoke tenors)
4. Optionality	No
5. Dual Currencies	No
6. Conditional Notional Amounts	No

<i>Specification</i>	Basis Swap
1. Currency	U.S. Dollar (USD)
2. Floating Rate Indexes	LIBOR/LIBOR LIBOR/Fed Funds LIBOR/OIS Including Spread over Treasuries LIBOR/ MXN-THE-Banxico (MXN IRS Benchmark) LIBOR/ICP (CLP IRS Benchmark)
3. Stated Termination Date Range	28 days to 50 years Spot & Forward starting, and broken dates (bespoke tenors)

4. Optionality	No
5. Dual Currencies	No
6. Conditional Notional Amounts	No

<i>Specification</i>	Forward Rate Agreement
1. Currency	U.S. Dollar (USD)
2. Floating Rate Indexes	LIBOR
3. Stated Termination Date Range	3 days to 3 years
4. Optionality	No
5. Dual Currencies	No
6. Conditional Notional Amounts	No

<i>Specification</i>	Overnight Index Swap
1. Currency	U.S. Dollar (USD) ("OIS")
2. Floating Rate Indexes	LIBOR
3. Stated Termination Date Range	7 days to 50 years Spot & Forward starting, and broken dates (bespoke tenors)
4. Optionality	No
5. Dual Currencies	No
6. Conditional Notional Amounts	No

<i>Specification</i>	Market Agreed Coupon Swaps ("MAC Swaps")
1. Currency	U.S. Dollar
2. Fixed Coupon	http://www.sifma.org/services/standard-forms-and-documentation/swaps/
3. Floating Rate Indexes	LIBOR
4. Tenors	1-yr., 2yrs-, 3yrs, 5 yrs., 7yrs, 10, yrs., 15 yrs., 20 yrs., 30 yrs.
5. Effective Dates	IMM dates (3 rd Weds of March, June, Sep, Dec)

Exhibit C

GFI 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 GFI Rulebook (the “Rules”), which prohibits abusive trading practices, including: acts detrimental to GFI (Rule 522) or that are inconsistent with just and equitable principles of trade (Rule 510), fraudulent acts (Rule 511), fictitious or non-competitive transactions (Rule 512), market manipulation (Rule 515), disruptive trading practices (Rule 516), misstatements (Rule 521), wash sales (Rule 531) and pre-negotiated or non-competitive trades, including money passes (Rule 533). Trading in these Swaps will also be subject to Rules relating to protection of customers. *See* Rules 525-528.

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

Pursuant to Rule 601(a)(i), each IRS executed as a block trade must be for the quantity that is equal to or in excess of the applicable minimum block size for such IRS set forth in Commission Regulations.

Core Principle 3 – Swaps Not Readily Susceptible to Manipulation

Each IRS traded on the Trading Platform will be settled in cash. The settlement amount is based on the net amount of interest owed between the swap counterparties. The amount of interest owed by each party is 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. Each reference rate will be determined on the basis of three month U.S. dollar LIBOR, which is the average rate at which contributor banks perceive that they can obtain unsecured funding in the London interbank market for a given period and in a given currency. 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;
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- (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.

The LIBOR rate, the reference rate 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 IRS products are very liquid – the market is very large and deep, making manipulation very difficult to achieve. As such, 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 Department.

Core Principle 5 – Ability to Obtain Information

Pursuant to the Rules, GFI will have the ability and authority to obtain sufficient information for each IRS to allow GFI 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 536 allows GFI to adopt position accountability levels for Required Transactions. Persons with positions in excess of position accountability levels established by GFI will be required to provide, upon request by GFI, information about their positions in excess of the relevant position accountability threshold and consent to halt any further increases in those positions. GFI's Rules relating to position limits, position accountability levels and aggregation standards are provided below:

535. Position Limits; Exemptions

(a) The Company may establish position limits for one or more Swaps, and grant exemptions from position limits, in accordance with CFTC Regulations. A Person seeking an exemption from position limits must apply to the Market Regulation Department in the form and manner required by the Company.

(b) A Person intending to exceed position limits, including limits established pursuant to a previously approved exemption, must file the required application and receive approval from the Company prior to exceeding such limits. Notwithstanding the foregoing, a Person who establishes an exemption-eligible position in excess of position limits and files the required application with the Company shall not be in violation of this rule provided the filing occurs within one Business Day after assuming the position. In the event the positions in excess of the limits are not deemed to be exemption eligible, the applicant will be in violation of speculative limits for the period of time in which the excess positions remained open.

(c) The Company shall, on the basis of the application and any requested supplemental information, determine whether an exemption from position limits shall be granted. The Company may approve, deny, condition or limit any exemption request based on factors deemed by the Company to be relevant, including, but not limited to, the applicant's business needs and financial status, as well as whether the positions can be established and liquidated in an orderly manner. A Person that has received an exemption from position limits pursuant to this Rule 535 shall be deemed to have agreed:

(i) to comply with all terms, conditions or limitations imposed by the Company with respect to the exemption;

(ii) that the Company may modify or revoke the exemption at any time;

(iii) to initiate and liquidate positions in an orderly manner; and

(iv) to promptly submit a supplemental statement to the Company whenever there is a material change to the information provided in the most recent application.

(d) A Participant shall not be in violation of this Rule if it carries positions for its Customers in excess of the applicable position limits for such reasonable period of time as the firm may require to discover and liquidate the excess positions. For the purposes

of this Rule, a reasonable period of time shall generally not exceed one Business Day. A Customer who exceeds the position limits as a result of maintaining positions at more than one Participant shall be deemed to have waived confidentiality regarding his positions and the identity of the Clearing Firm(s) at which they are maintained. A Participant carrying such positions shall not be in violation of this Rule if, upon notification by the Company, it liquidates its pro-rata share of the position in excess of the limits or otherwise ensures the Customer is in compliance with the limits within a reasonable period of time.

- (e) Nothing in this Rule 535 shall in any way limit:
 - (i) the authority of the Company to take emergency action; or
 - (ii) the authority of the Company to review at any time any position owned or controlled by any Person and to direct that such position be reduced to the applicable position limit.
- (f) A Person who has received written authorization from the Company for an exemption from position limits must annually file an updated application on or before the date that is one year following the approval date of the most recent application. Failure to file an updated application shall result in expiration of the exemption.
- (g) No Person shall exceed position limits that may be established by the Company or the CFTC, unless an exemption is granted by the Company. Any Person making a bid or offer that would, if accepted, cause such person to exceed the applicable position limits shall be in violation of this Rule.

536. Position Accountability

- (a) The Company shall establish position accountability levels for Required Transactions unless the Company has previously established position limits pursuant to Rule 535. A Person who holds or controls aggregate positions in excess of position accountability levels shall:
 - (i) provide, in a timely manner upon request by the Company, information regarding the nature of the position, trading strategy, and hedging information, if applicable;
 - (ii) be deemed to have consented, when so ordered by the Company, not to further increase the positions which exceed such position accountability levels; and
 - (iii) initiate and/or liquidate such positions in an orderly manner.
- (b) For purposes of this Rule 536, all positions in accounts for which a Person, by power of attorney or otherwise, directly or indirectly controls trading shall be included with the positions held by such Person. The provisions of this rule shall apply to positions held by two or more Persons acting pursuant to an expressed or implied agreement or understanding, the same as if the positions were held by or the trading of the positions was controlled by a single Person.

537. Aggregation of Positions

For purposes of Rule 535 and Rule 536, positions in Swaps shall be aggregated in accordance with CFTC Regulations.

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, GFI will publish daily market volume data reports for each Swap (or class of Swap) in terms of notional value. In addition, GFI will publish for each trading day, by tenor of the Swap, the opening price and the high and low prices. GFI 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 and GFI's website will contain a hyperlink to the relevant settlement information. *See* Rule 407.

GFI 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. *See* Rule 528. 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. GFI will also issue confirmations of transactions pursuant to Rule 525.