

SUBMISSION COVER SHEET

Registered Entity Identifier Code (optional)

Date:

IMPORTANT: CHECK BOX IF CONFIDENTIAL TREATMENT IS REQUESTED.

ORGANIZATION

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

DESCRIPTION



March 13, 2014

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 Regulation 40.2(a) – Certification of Power Options
GFI Swaps Exchange LLC Submission # 14-0006**

Dear Ms. Jurgens:

GFI Swaps Exchange LLC (“GFI”) hereby notifies the Commodity Futures Trading Commission (the “Commission”), pursuant to Commission Regulation 40.2(a), that it is certifying a power option contract (“Power Options”) for trading on GFI’s electronic trading platform (the “Trading Platform”).

GFI will list Power Options no earlier than March 14, 2014.

This letter includes the following attachments:

- The submission cover sheet.
- A concise explanation and analysis of Power Options, attached as Exhibit A.
- A copy of the Power Option rules, which will be published as contract specifications on GFI’s website in accordance with GFI Rule 1101, attached as Exhibit B.
- Attached as Exhibit C, a concise explanation and analysis of the contract’s compliance with applicable provisions of the Commodity Exchange Act (the “CEA”), including the Core Principles, and the Commission’s Regulations thereunder.

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

* * *

Please contact the undersigned at (212) 968-2982 or daniel.glatter@gfigroup.com if you have any questions or you would otherwise like to discuss this further.

Sincerely,

/s/ Daniel E. Glatter
General Counsel
GFI Swaps Exchange LLC

Enclosure

Exhibit A

Below is a concise explanation of Power Options:

Each Power Option is a derivative financial instrument that gives one party the right, but not the obligation, to assume a short or long position in the underlying New York Mercantile Exchange (“NYMEX”) contract at a specified quantity on a specified date. Each Power Option can be either American or European in style. The buyer pays a premium to the option seller.

For more information, the Power Options’ contract specifications, including a list of applicable NYMEX contracts, are attached as Exhibit B.

Exhibit B

GFI Contract Specifications

The terms and conditions of Power Options incorporate by reference such credit and other terms as the parties may establish through pre-existing bilateral agreements. Power Options have the following characteristics:

Contract Overview	A power option contract represents an option to assume a short or long position in the underlying New York Mercantile Exchange (“NYMEX”) contract at the strike price.
Underlying Reference Contract	See NYMEX Contract List below.
Trade Date	The date on which the parties enter into the options contract.
Option Style	<u>European Style</u> : Allows the holder to exercise the option only at the expiration date. <u>American Style</u> : Allows the owner to exercise the option at any time before the expiration date.
Option Type	<u>Call Option</u> : The right to buy the underlying NYMEX contract on a fixed date at a fixed price. <u>Put Option</u> : The right to sell the underlying NYMEX contract on a fixed date at a fixed price.
Strike Price	The price agreed upon by the parties at which the buyer can exercise an option.
Expiration Date	The date on which the option contract expires.
Expiration Time	The time at which the option contract expires.
Settlement Date	The date on which the option settles.
Settlement Type	<u>Cash Settlement</u> : Requires the exchange of cash in the amount of the difference between the option strike price and the current value of the underlying NYMEX contract at the exercise date.
Premium Date	The date on which the premium is due.
Quoting Convention and Minimum Increment	Notional amount, agreed by the counterparties.
Minimum Size	Notional amount, agreed by the counterparties.

NYMEX Contract List:

ISO New England Mass Hub 5 MW Peak Calendar-Month Day-Ahead LMP Futures
ISO New England Mass Hub Day-Ahead Off-Peak Calendar-Day 5 MW Futures
ISO New England Mass Hub Day-Ahead Off-Peak Calendar-Month 5 MW Futures
ISO New England Mass Hub Day-Ahead Peak Calendar-Day 5 MW Futures
ISO New England Mass Hub Day-Ahead Peak Calendar-Month 2.5 MW Futures
ISO New England Mass Hub Off-Peak LMP Futures
PJM AECO Zone Off-Peak Calendar-Month Day-Ahead LMP Futures
PJM AECO Zone Peak Calendar-Month Day-Ahead LMP Futures
PJM AEP Dayton Hub 5MW Peak Calendar-Month Real-Time LMP Futures
PJM AEP Dayton Hub Day-Ahead LMP Peak Calendar-Month 5 MW Futures
PJM AEP Dayton Hub Day-Ahead Off-Peak Calendar-Day 5 MW Futures
PJM AEP Dayton Hub Day-Ahead Off-Peak Calendar-Month 5 MW Futures
PJM AEP Dayton Hub Day-Ahead Peak Calendar-Day 5 MW Futures
PJM AEP Dayton Hub Off-Peak LMP Futures
PJM AEP Dayton Hub Real-Time Off-Peak Calendar-Day 5 MW Futures
PJM AEP Dayton Hub Real-Time Off-Peak Calendar-Month 5 MW Futures
PJM AEP Dayton Hub Real-Time Peak Calendar-Day 5 MW Futures
PJM AEP Dayton Hub Real-Time Peak Calendar-Month 2.5 MW Futures
PJM APS Zone Off-Peak Calendar-Month Day-Ahead LMP Futures
PJM APS Zone Peak Calendar-Month Day-Ahead LMP Futures
PJM ATSI Zone 5 MW Off-Peak Calendar-Day Day-Ahead Futures
PJM ATSI Zone 5 MW Off-Peak Calendar-Day Real-Time Futures
PJM ATSI Zone 5 MW Off-Peak Calendar-Month Day-Ahead Futures
PJM ATSI Zone 5 MW Off-Peak Calendar-Month Real-Time Futures
PJM ATSI Zone 5 MW Peak Calendar-Day Day-Ahead Futures
PJM ATSI Zone 5 MW Peak Calendar-Day Real-Time Futures
PJM ATSI Zone 5 MW Peak Calendar-Month Day-Ahead Futures
PJM ATSI Zone 5 MW Peak Calendar-Month Real-Time Futures
PJM BGE Zone Off-Peak Calendar-Month Day-Ahead LMP Futures
PJM BGE Zone Peak Calendar-Month Day-Ahead LMP Futures
PJM ComEd Zone 5 MW Off-Peak Calendar-Month Day-Ahead LMP Futures
PJM ComEd Zone 5 MW Peak Calendar-Month Day-Ahead LMP Futures
PJM Daily Load Forecast Futures
PJM DOM Zone Off-Peak Calendar-Month Day-Ahead LMP Futures
PJM DOM Zone Peak Calendar-Month Day-Ahead LMP Futures
PJM DPL Zone Off-Peak Calendar-Month Day-Ahead LMP Futures
PJM DPL Zone Peak Calendar-Month Day-Ahead LMP Futures
PJM Duquesne Zone 5 MW Off-Peak Calendar-Month Day-Ahead LMP Futures
PJM Duquesne Zone 5 MW Peak Calendar-Month Day-Ahead LMP Futures
PJM Eastern Hub Off-Peak Calendar-Month Day-Ahead LMP Futures
PJM Eastern Hub Peak Calendar-Month Day-Ahead LMP Futures
PJM JCPL Zone Off-Peak Calendar-Month Day-Ahead LMP Futures
PJM JCPL Zone Peak Calendar-Month Day-Ahead LMP Futures
PJM METED Zone Off-Peak Calendar-Month Day-Ahead LMP Futures
PJM METED Zone Peak Calendar-Month Day-Ahead LMP Futures

PJM Northern Illinois Hub 5 MW Peak Calendar-Month Real-Time LMP Futures
PJM Northern Illinois Hub Day-Ahead LMP Peak Calendar-Month 5 MW Futures
PJM Northern Illinois Hub Day-Ahead Off-Peak Calendar-Day 5 MW Futures
PJM Northern Illinois Hub Day-Ahead Off-Peak Calendar-Month 5 MW Futures
PJM Northern Illinois Hub Day-Ahead Peak Calendar-Day 5 MW Futures
PJM Northern Illinois Hub Off-Peak LMP Futures
PJM Northern Illinois Hub Real-Time Off-Peak Calendar-Day 5 MW Futures
PJM Northern Illinois Hub Real-Time Off-Peak Calendar-Month 5 MW Futures
PJM Northern Illinois Hub Real-Time Peak Calendar-Day 5 MW Futures
PJM Northern Illinois Hub Real-Time Peak Calendar-Month 2.5 MW Futures
PJM Off-Peak Calendar-Month LMP Futures
PJM PECO Zone 5 MW Off-Peak Calendar-Month Day-Ahead LMP Futures
PJM PECO Zone 5 MW Peak Calendar-Month Day-Ahead LMP Futures
PJM PENELEC Zone Off-Peak Calendar-Month Day-Ahead LMP Futures
PJM PENELEC Zone Peak Calendar-Month Day-Ahead LMP Futures
PJM PEPCO Zone Off-Peak Calendar-Month Day-Ahead LMP Futures
PJM PEPCO Zone Peak Calendar-Month Day-Ahead LMP 5 MW Futures
PJM PPL Zone Off-Peak Calendar-Month Day-Ahead LMP Futures
PJM PPL Zone Peak Calendar-Month Day-Ahead LMP Futures
PJM PSEG Zone Off-Peak Calendar-Month Day-Ahead LMP Futures
PJM PSEG Zone Peak Calendar-Month Day-Ahead LMP 5 MW Futures
PJM Western Hub 50 MW Peak Calendar-Month Real-Time LMP Futures
PJM Western Hub Day-Ahead Off-Peak Calendar-Day 5 MW Futures
PJM Western Hub Day-Ahead Off-Peak Calendar-Month 5 MW Futures
PJM Western Hub Day-Ahead Peak Calendar-Day 5 MW Futures
PJM Western Hub Day-Ahead Peak Calendar-Month 5 MW Futures
PJM Western Hub Peak Calendar-Month Real-Time LMP Futures
PJM Western Hub Real-Time Off-Peak Calendar-Day 5 MW Futures
PJM Western Hub Real-Time Off-Peak Calendar-Month 5 MW Futures
PJM Western Hub Real-Time Peak Calendar-Day 5 MW Futures
PJM Western Hub Real-Time Peak Calendar-Month 2.5 MW Futures

Exhibit C

GFI has determined that Power Options certified herein relate to the following Core Principles:

Core Principle 2 – Compliance with Rules

Trading in Power Options 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 Power Options 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, trading activity in Power Options will be subject to monitoring and surveillance by GFI’s Compliance 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 Power Option 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 contract set forth in Commission Regulations.

Core Principle 3 – Swaps Not Readily Susceptible to Manipulation

Power Options are not readily susceptible to manipulation for a number of reasons. First, the value of payments made pursuant to the terms of the Power Options is determined primarily by reference to the applicable NYMEX contract. As a designated contract market, NYMEX maintains rules, policies and procedures in compliance with the CEA and Commission Regulations thereunder, including rules that minimize the opportunity to manipulate the cash-settlement price of its contracts.

The price of the relevant NYMEX contract is determined based on the average of peak or off-peak hour electricity prices reported by PJM Interconnection, LLC or ISO New England, as applicable (the “Reference Price”). In each case, the Reference Price is not readily susceptible to manipulation because it has the following characteristics: (i) it is derived from a cash market that has considerable depth and liquidity resulting from the involvement of numerous institutional participants; (ii) the way in which the Reference Price is calculated is well documented and well understood by swap market participants; (iii) the way in which the Reference Price is calculated involves appropriate computational procedures that eliminate or reduce the impact of potentially unrepresentative data; (iv) the Reference Price is commonly used in the swap markets; (v) information about the Reference Price is publicly and readily available; (vi) the Reference Price is administered and published by a reputable organization; and (vii) many active participants in the relevant cash market are entities that are subject to regulation.

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 swaps traded on GFI, which would include Power Options. Such Rules are enforced by the Compliance Department.

Core Principle 5 – Ability to Obtain Information

Pursuant to the Rules, GFI will have the ability and authority to obtain sufficient information for Power Options 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,” as such term is defined in Commission Regulations. As a “permitted transaction” (as defined in Commission Regulations) that is not readily susceptible to manipulation (*see* Core Principle 3 above), GFI has elected not to set position accountability levels for Power Options at this time.

Core Principle 7 – Financial Integrity of Transactions

Power Options that the counterparties elect to submit for clearing through a derivatives clearing organization (a “DCO”) will be submitted to that DCO by GFI. *See* Rules 302(a)(ii), 304(c)(i) and 1002. Power Options that the parties elect not to clear may be entered into only by GFI Participants and Sponsored Access Firms who have entered into swap trading relationship documentation in compliance with the requirements of Applicable Law. *See* Rule 1003.

Core Principle 8 – Emergency Authority

Pursuant to Rule 911, GFI may take necessary or appropriate actions in response to an Emergency, including the following: (i) suspending or curtailing trading or limiting trading to liquidation only (in whole or in part); (ii) ordering the liquidation of swaps or the reduction of positions, in consultation with relevant DCO if practicable; (iii) and imposing or modifying trading limits, price limits or position limits.

Core Principle 9 – Timely Publication of Trading Information

In accordance with Part 16 of Commission Regulations, GFI will publish daily information on Power Options regarding volume, price ranges and open interest (based on non-cancelled bids, non-cancelled offers, and sales) subject to such prices accurately reflecting market conditions. *See* Rule 409.

GFI will submit electronic reports of all primary economic terms data for each Power Option to a registered swap data repository immediately following execution of such Power Option. *See* Rule 540. 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 406.