

Via CFTC Portal

June 2, 2020

Mr. Christopher J. Kirkpatrick
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 Cross Currency Basis Swaps**

Dear Mr. Kirkpatrick:

TW SEF LLC (“TW SEF”) 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: Cross Currency Basis Swaps (“Swaps”) for trading on TW SEF’s electronic trading system. This certification should be read in conjunction with the class certification of interest rate swaps and other swaps submitted by TW SEF on September 30, 2013, the class certification of swaptions submitted by TW SEF on January 12, 2017, the class certification of interest rate swaps, forward rate agreements, zero coupon inflation swaps submitted by TW SEF on November 5, 2019 and the credit default swaps submitted by TW SEF on March 9, 2020.

TW SEF will list the Swaps no earlier than June 4, 2020.

This submission letter contains the following attachments:

- Attached as Exhibit A is a concise explanation and analysis of the Swaps;
- Attached as Exhibit B-1 is a copy of the product Rules, which will be published as contract specifications on TW SEF’s website in accordance with TW SEF Rule 901. We have also provided Exhibit B-2, which is a redline to show the addition of the new contract specifications, which will be published in TW SEF’s Rules.
- Attached as Exhibit C is 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.

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As required by Commission Regulation 40.2(d)(1), TW SEF hereby certifies that, with regard to the Swaps:

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

Based on the foregoing, TW SEF certifies that the Swaps comply with the CEA and Commission Regulations thereunder. TW SEF additionally certifies that it has concurrently posted a copy of this submission letter and attachments hereto on TW SEF’s website at <https://www.tradeweb.com/our-markets/market-regulation/sef/>.

* * *

In the event that you have questions, please contact the undersigned at (646) 560-7223 or Gregory.Compa@tradeweb.com.

Very truly yours,



Gregory Compa
Chief Compliance Officer
TW SEF LLC

Mr. Christopher J. Kirkpatrick
Commodity Futures Trading Commission
June 2, 2020

Exhibit A

Below is a concise explanation and analysis of the Cross Currency Basis Swaps (“Swaps”) for trading on TW SEF’s electronic trading system. See TW SEF Rule 901(j).

Cross Currency Basis Swap

A Cross Currency Basis swap is an agreement between two parties to exchange floating interest payments in different currencies.

For more information, the contract specifications for the Swaps are attached as Exhibit B-1.

Exhibit B-1

Rule 901(j) Cross Currency Basis Swaps

Contract Description	A Cross Currency Basis swap is an agreement between two parties to exchange floating interest payments in different currencies based on one of the indices listed below.	
Currency and Floating Rate Index - Time Period	U.S. Dollar (USD)	<ul style="list-style-type: none"> London Interbank Offered Rate (LIBOR) - 3 Month
	Eurodollar (EUR)	<ul style="list-style-type: none"> Euro Interbank Offered Rate (EURIBOR) - 3 Month
	British Pound Sterling (GBP)	<ul style="list-style-type: none"> LIBOR - 3 Month
Contract Size	As agreed by the parties.	
Minimum Size	As agreed by the parties.	
Effective Date / Start Date	The date on which parties begin calculating accrued obligations such as fixed and floating interest rate payments.	
Stated Maturity Range Maturity Date	1 year to 50 years The final date on which the obligations no longer accrue and the final payment occurs.	
Trade Start Types	<ul style="list-style-type: none"> Spot Starting (T+2) Custom start dates 	
Floating Legs	<ul style="list-style-type: none"> Quarterly (3M) Day Count Convention: ACT/360 & ACT/365F 	
Notional	<ul style="list-style-type: none"> Fixed Notional or varying Mark to Market notional in USD 	
Holiday Calendar(s)	NY/London/TARGET	
Business Day Conventions	Modified Following <ul style="list-style-type: none"> Adjusted 	
Periodic Settlement: Payment and Resets	<ul style="list-style-type: none"> Floating Leg: The payment amount of the Floating Leg is based on the following: Notional, Payment Frequency, Day Count Convention, Floating Interest Rate Index and Floating Reset Dates. Payments are settled in accordance with the payment frequency of the swap.	
Optionality	No	
Dual Currencies	Yes	
Settlement Procedure	Bilateral / as determined by LCH Swap Agent	
Trading Hours	Trading hours of TW SEF.	

Netting Agent	LCH Swap Agent
Block Size	See Rule 411 and CFTC Regulation Part 43, Appendix F.
Reportable Levels	See Rule 409 and CFTC Regulation 15.03.
Position Limits	See Rule 408 and CFTC Regulation Part 150.
Reporting	All trades reported to SDR in accordance with CFTC requirements.

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Exhibit B-2

Redlined Pages of Current TW SEF Rulebook

Trading Hours	Trading hours of TW SEF.
DCO(s)	ICE
Block Size	See Rule 411 and CFTC Regulation Part 43, Appendix F.
Reportable Levels	See Rule 409 and CFTC Regulation 15.03.
Position Limits	See Rule 408 and CFTC Regulation Part 150.
Reporting	All trades reported to SDR in accordance with CFTC requirements.

(j) [Cross Currency Basis Swaps](#)

Contract Description	A Cross Currency Basis swap is an agreement between two parties to exchange floating interest payments in different currencies based on one of the indices listed below.	
Currency and Floating Rate Index - Time Period	U.S. Dollar (USD)	• London Interbank Offered Rate (LIBOR) - 3 Month
	Eurodollar (EUR)	• Euro Interbank Offered Rate (EURIBOR) - 3 Month
	British Pound Sterling (GBP)	• LIBOR - 3 Month
Contract Size	As agreed by the parties.	
Minimum Size	As agreed by the parties.	
Effective Date / Start Date	The date on which parties begin calculating accrued obligations such as fixed and floating interest rate payments.	
Stated Maturity Range Maturity Date	1 year to 50 years The final date on which the obligations no longer accrue and the final payment occurs.	
Trade Start Types	<ul style="list-style-type: none"> • Spot Starting (T+2) • Custom start dates 	
Floating Legs	<ul style="list-style-type: none"> • Quarterly (3M) • Day Count Convention: ACT/360 & ACT/365F 	
Notional	• Fixed Notional or varying Mark to Market notional in USD	
Holiday Calendar(s)	NY/London/TARGET	
Business Day Conventions	Modified Following <ul style="list-style-type: none"> • Adjusted 	
Periodic Settlement: Payment and Resets	<ul style="list-style-type: none"> • Floating Leg: The payment amount of the Floating Leg is based on the following: Notional, Payment Frequency, Day Count Convention, Floating Interest Rate Index and Floating Reset Dates. Payments are settled in accordance with the payment frequency of the swap.	

<u>Optionality</u>	<u>No</u>
<u>Dual Currencies</u>	<u>Yes</u>
<u>Settlement Procedure</u>	<u>Bilateral / as determined by LCH Swap Agent</u>
<u>Trading Hours</u>	<u>Trading hours of TW SEF.</u>
<u>Netting Agent</u>	<u>LCH Swap Agent</u>
<u>Block Size</u>	<u>See Rule 411 and CFTC Regulation Part 43, Appendix F.</u>
<u>Reportable Levels</u>	<u>See Rule 409 and CFTC Regulation 15.03.</u>
<u>Position Limits</u>	<u>See Rule 408 and CFTC Regulation Part 150.</u>
<u>Reporting</u>	<u>All trades reported to SDR in accordance with CFTC requirements.</u>

902. Swap Modifications

The specifications for, and the procedures and requirements for trading, any Swap may not be modified in any respect without the prior approval of the Company.

903. Settlement of Uncleared Swaps

Settlement of all Uncleared Swaps shall be effected bilaterally between the parties to the Uncleared Swap pursuant to the terms of such Uncleared Swap and applicable agreements between the parties to the trade, and the Company shall not have any responsibility for any element of such settlement.

Exhibit C

TW SEF has determined that the Swaps certified herein bear upon the below Core Principles. This Exhibit should be read in conjunction with the class certification of interest rate swaps and other swaps submitted by TW SEF on September 30, 2013, the class certification of swaptions submitted by TW SEF on January 12, 2017, class certification of interest rate swaps, forward rate agreements, zero coupon inflation swaps submitted by TW SEF on November 5, 2019 and the credit default swaps submitted by TW SEF on March 9, 2020.

Core Principle 2 – Compliance with Rules

Trading in the Swaps will be subject to the TW SEF Rulebook (the “Rules”), which prohibits abusive trading practices, including: acts detrimental to TW SEF (Rule 609) or that are inconsistent with just and equitable principles of trade (Rule 602), fraudulent acts (Rule 603), fictitious transactions (Rule 604), price manipulation (Rule 606), disruptive trading practices (Rule 605), misstatements (Rule 608), wash sales (Rule 613) and pre-arranged or non-competitive trades, including money passes (Rule 614).

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

Core Principle 3 – Swaps Not Readily Susceptible to Manipulation

Swaps based on standard cross currency basis swaps are not readily susceptible to manipulation because wide dealer and industry support provides significant liquidity in all market conditions for such products. This Exhibit should be read in conjunction with the class certification of interest rate swaps and other swaps submitted by TW SEF on September 30, 2013, the class certification of swaptions submitted by TW SEF on January 12, 2017, the class certification of interest rate swaps, forward rate agreements, zero coupon inflation swaps submitted by TW SEF on November 5, 2019 and the credit default swaps submitted by TW SEF on March 9, 2020.

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 Team.

Core Principle 5 – Ability to Obtain Information

Pursuant to the Rules, TW SEF will have the ability and authority to obtain sufficient information for each Swap to allow TW SEF 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 409 allows the Company to adopt position limits and/or accountability levels for Required Transactions. Persons with positions in excess of position accountability levels established by the Company will be required to provide, upon request by the Company, information about their positions in excess of the relevant position accountability threshold and consent to halt any further increases in those positions.

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, TW SEF will publish daily market volume data reports for each Swap in terms of notional value. In addition, TW SEF will publish for each trading day, by tenor of the Swap, the opening price and the high and low prices. TW SEF will publish a settlement price for each such Swap.

TW SEF 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. 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.