

# SUBMISSION COVER SHEET

Confidential Treatment has not been requested

Organization Name: Javelin SEF, LLC

Organization Type: SEF

Registered Entity Identifier: 14-10

Submission Number: 1407-2114-3948-28

Submission Date: 07/21/14 02:39:48 PM

Submission Type: Rule - 40.6(a) Rule Certification

Submission Description: Rule amendments relate to Package Trades and setting pre-trade credit check limits for Javelin SEF Participants that are self clearing.

Rule Numbers: definition of Package Trade, 520, 524 and 607



July 21, 2014

Submitted via CFTC Portal  
Office of the Secretariat  
U.S. Commodity Futures Trading Commission  
Three Lafayette Centre  
1155 21<sup>st</sup> Street  
Washington, DC 20581

Re: Submission of Javelin SEF, LLC Rule Amendment (Submission No.14-10)

To Whom It May Concern:

Pursuant to Section 5c(c) of the Commodity Exchange Act (“CEA”) and Section 40.6(a) of the regulations of the Commodity Futures Trading Commission (the “Commission”) Javelin SEF, LLC (“Javelin SEF”) hereby submits to the Commission rule amendments to its Rulebook.

Specifically, Javelin SEF has added a definition, added Rules 524 and 607, and amended Rule 520 (“Rule Amendments”). The Rule Amendments will be effective August 4, 2014

A concise explanation and analysis of the Rule Amendments is attached as Exhibit A. A marked copy of the Rule Amendments, which indicates the revisions with additions underscored and deletions overstruck as indicated, is attached as Exhibit B. A clean copy of the Rule Amendments is attached as Exhibit C.

Javelin SEF certifies that these rule amendments comply with the CEA and the Commission’s Regulations. Javelin SEF further certifies that this Submission has been concurrently posted on Javelin SEF’s website at <http://www.theJavelin.com>. No substantive opposing views were expressed with respect to Rule Amendments.

If you have any questions regarding this submission, please contact me at (646) 307-5931 or [suellen.galish@thejavelin.com](mailto:suellen.galish@thejavelin.com).

Sincerely,

/s/Suellen Galish  
Senior Managing Director  
General Counsel and  
Chief Compliance Officer

Attachments

cc: Mark Schlegal, Division of Market Oversight, Commodity Futures Trading Commission  
(Email:[MSchlegal@CFTC.gov](mailto:MSchlegal@CFTC.gov))

**Exhibit A**

**Explanation and Analysis of Javelin SEF Rule Changes**

The following is a concise explanation and analysis of the proposed rule amendments which includes the core principles and Commission regulations thereunder.

<b>Rule</b>	<b>Explanation of Amendment(s)</b>	<b>Applicable Core Principle and Commission Regulation</b>
Chapter 1 Defined Terms: Added new definition for "Package Trade"	Defines new term used in Rule 524 and 607	Core Principle 2 Rule 37.200 Rule 37.201
Rule 520	Amendment made to provide Javelin SEF with the ability to set default credit limits in Javelin SEF's pre-trade credit checking system for those Javelin SEF Participants that clear their own trades.	Core Principle 7 Rule 37.700 Rule 37.701
Rule 524	New rule that provides (a) acceptable methods of trade execution for Package Trades, (b) each component of Package Trades executed on Javelin SEF must be cleared, and (c) each component of a Package Trade must be a Block Trade in order for the Package Trade to be reported to Javelin SEF as a Block Trade.	Core Principles 2 Core Principle 7 Rule 37.200 Rule 37.201 Rule 37.700 Rule 37.701
Rule 607	New rule that provides the framework for the acceptance and rejection for clearing Package Trades.	Core Principles 2 Core Principle 7 Rule 37.200 Rule 37.201 Rule 37.700 Rule 37.701

## EXHIBIT B

### Marked Copy of Rule Amendments

“Package Trade” shall mean a transaction involving two or more instruments: (1) that is executed between two or more counterparties; (2) that is priced or quoted as one economic transaction with simultaneous or near simultaneous execution of all components; and (3) where the execution of each component is contingent upon the execution of all other components.

#### Rule 520. Pre-Execution Order Screening

1. Upon the entry of any order (including, without limitation, a RFQ inquiry) for execution through use of automated means, Javelin SEF shall facilitate prompt pre-execution screening of such order (a) by the Clearing Member identified by the Participant (or its Customer), or (b) if the Participant clears its own trades without use of a third-party platform, service or hub (as described below), Javelin SEF will set a default credit limit in Javelin SEF’s pre-trade credit checking system, which such Participant may cancel or modify at any time. For the avoidance of any doubt, a Participant that clears its own trades is included in all references to “Clearing Member” in this Rule 520. If Javelin SEF (i) receives confirmation (by either an applicable established risk-based limit of sufficient size, or a discrete approval in respect of a particular order, including from a third-party platform, service or hub as described below) from the identified Clearing Member that it will accept responsibility for clearing any Trade resulting from such order through such Clearing Member at the Clearinghouse and (ii) has not been notified by the relevant Clearinghouse that the Clearing Member is at such time is not eligible to submit such order (or orders generally) for clearing as such Clearinghouse, then, and only then, may Javelin SEF accept such order. Subject to Rule 512, and notwithstanding any other provisions of this rulebook, Javelin SEF will be responsible for actual losses of a Clearing Member, where such losses directly result from (i) an order that was incorrectly accepted by Javelin SEF pursuant to this Rule 520(1), because of the failure or error of the Javelin SEF Trading System; or (ii) the failure of Javelin SEF to comply with its obligations as relates to the pre-execution order screening process described in this Rule 520.
2. In making the determination whether or not to permit an order from or on behalf of any Participant (or its Customer) to be entered into Javelin SEF pursuant to this Rule 520, Javelin SEF shall be entitled to rely upon information provided to it by a trade processing platform, a credit hub or pre-trade credit or limit checking service provided by one or more third parties (“Pre-Trading Credit Checking Service”) and Javelin SEF shall not be responsible for any losses to a Clearing Member, Participant (including their Sponsored Persons), Customers (Including Customers of Sponsored Persons) or other Person arising from the failure, error or communication delay caused by a Pre-Trade Credit Checking Service.

**Rule 524. Package Trades**

1. Method of Execution. Participants may execute Package Trades (listed on Javelin SEF) by any means of trade execution permitted under the Javelin SEF Rules.
2. Clearing. Each component of a Package Trade must comply with the requirements of Chapter 6 of the Javelin SEF Rules.
3. Block Trades. In order for a Package Trade to be reported as a Block Trade to Javelin SEF, each component of a Package Trade must be a Block Trade.

**Rule 607. ~~Reserved~~Acceptance and Rejection for Clearing of Package Trades**

Upon the execution of orders that result in Matched Orders that form one or more components of a Package Trade, Javelin SEF shall promptly submit such Matched Orders to the Clearinghouse for acceptance for clearing. If Javelin SEF receives notice from the Clearinghouse that one or more of the Matched Orders that form the components of a Package Trade have been rejected for clearing, then all of the components of the Package Trade shall be void *ab initio*.

## EXHIBIT C

### Rule Amendments

“Package Trade” shall mean a transaction involving two or more instruments: (1) that is executed between two or more counterparties; (2) that is priced or quoted as one economic transaction with simultaneous or near simultaneous execution of all components; and (3) where the execution of each component is contingent upon the execution of all other components.

#### **Rule 520. Pre-Execution Order Screening**

1. Upon the entry of any order (including, without limitation, a RFQ inquiry) for execution through use of automated means, Javelin SEF shall facilitate prompt pre-execution screening of such order (a) by the Clearing Member identified by the Participant (or its Customer), or (b) if the Participant clears its own trades without use of a third-party platform, service or hub (as described below), Javelin SEF will set a default credit limit in Javelin SEF’s pre-trade credit checking system, which such Participant may cancel or modify at any time. For the avoidance of any doubt, a Participant that clears its own trades is included in all references to “Clearing Member” in this Rule 520. If Javelin SEF (i) receives confirmation (by either an applicable established risk-based limit of sufficient size, or a discrete approval in respect of a particular order, including from a third-party platform, service or hub as described below) from the identified Clearing Member that it will accept responsibility for clearing any Trade resulting from such order through such Clearing Member at the Clearinghouse and (ii) has not been notified by the relevant Clearinghouse that the Clearing Member is at such time is not eligible to submit such order (or orders generally) for clearing as such Clearinghouse, then, and only then, may Javelin SEF accept such order. Subject to Rule 512, and notwithstanding any other provisions of this rulebook, Javelin SEF will be responsible for actual losses of a Clearing Member, where such losses directly result from (i) an order that was incorrectly accepted by Javelin SEF pursuant to this Rule 520(1), because of the failure or error of the Javelin SEF Trading System; or (ii) the failure of Javelin SEF to comply with its obligations as relates to the pre-execution order screening process described in this Rule 520.
2. In making the determination whether or not to permit an order from or on behalf of any Participant (or its Customer) to be entered into Javelin SEF pursuant to this Rule 520, Javelin SEF shall be entitled to rely upon information provided to it by a trade processing platform, a credit hub or pre-trade credit or limit checking service provided by one or more third parties (“Pre-Trading Credit Checking Service”) and Javelin SEF shall not be responsible for any losses to a Clearing Member, Participant (including their Sponsored Persons), Customers (Including Customers of Sponsored Persons) or other Person arising from the failure, error or communication delay caused by a Pre-Trade Credit Checking Service.

#### **Rule 524. Package Trades**

1. Method of Execution. Participants may execute Package Trades (listed on Javelin SEF) by any means of trade execution permitted under the Javelin SEF Rules.

2. Clearing. Each component of a Package Trade must comply with the requirements of Chapter 6 of the Javelin SEF Rules.

3. Block Trades. In order for a Package Trade to be reported as a Block Trade to Javelin SEF, each component of a Package Trade must be a Block Trade.

**Rule 607. Acceptance and Rejection for Clearing of Package Trades**

Upon the execution of orders that result in Matched Orders that form one or more components of a Package Trade, Javelin SEF shall promptly submit such Matched Orders to the Clearinghouse for acceptance for clearing. If Javelin SEF receives notice from the Clearinghouse that one or more of the Matched Orders that form the components of a Package Trade have been rejected for clearing, then all of the components of the Package Trade shall be void ab initio.