



Notice No. 15-05

Date: March 9, 2015

Re: Amendments to Javelin SEF Rules

This Notice to Participants is issued to inform you of the rule amendments submitted by Javelin SEF, LLC (“Javelin”) to the Commodity Futures Trading Commission on February 25, 2015.

Specifically, Javelin SEF has amended Rules 515 and 520. These rule amendments will be effective on March 12, 2015.

The following is a table that summarizes all of the rule amendments. A marked copy of the Javelin SEF Rules, which indicate the revisions with additions underscored and deletions overstruck as indicated, is attached as Exhibit A. A clean copy of the Javelin SEF Rules is attached as Exhibit B.

Rule Amendment	Explanation
515	Rule is amended to provide for Javelin SEF’s new system functionality that enables market participants to perform pre-trade credit checks for Block Trades and clarifies treatment of trades executed on Javelin SEF that exceed the Block Trade threshold.
520	Rule is amended to provide for Javelin SEF’s new system functionality that enables market participants to perform pre-trade credit checks for Block Trades.

If you have any questions regarding this Notice to Participants, please contact Suellen Galish at [suellen.galish@thejavelin.com](mailto:suellen.galish@thejavelin.com).

## Attachments

## EXHIBIT A

### Marked Copy of Rule Amendments

#### Rule 515. Block Trades

1. Pursuant to NAL 14-118, expiring December 15, 2015, Participants may submit Block Trades to Javelin SEF by electronic or voice hybrid electronic execution on Javelin SEF's RFQ System, which shall not be subject to the requirements of Javelin SEF Rule 506(1). In addition, Participants may use the Block Trade window of the Javelin SEF Trading System to: (a) perform pre-trade credit checks for Block Trade orders and (b) electronically submit Block Trades to Javelin SEF for clearing and swap data reporting.
2. Block Trades shall mean a publically reportable swap transaction that: (a) involves a swap that is listed on a registered swap execution facility or a designated contract market, (b) occurs away from the registered swap execution facility's or designated contract market's trading system or platform and is executed pursuant to the registered swap execution facility's or designated contract market's rules and procedures; (c) has a notional or principal amount at or above the appropriate minimum block size applicable to such swap; and (d) is reported subject to the rules and procedures of the registered swap execution facility or designated contract market and the rules described in this part, including the appropriate time delay requirements set forth in CFTC Regulation 43.5. For the avoidance of doubt, Participants may submit (by electronic, voice, or voice hybrid electronic means) an order that is above the minimum block size for execution on Javelin SEF, and if executed such trades will not receive block trade treatment (i.e.; the trade will not be not afforded the reporting time delay afforded to block trades).
- ~~2.3.~~ This Rule does not prohibit the execution of a trade that is above the minimum block size threshold on Javelin SEF's voice central limit order book, electronic central limit order book, voice request for quote or electronic request for quote system as non-block trades. However, any such trade shall not receive treatment as a Block Trade and will not be afforded the reporting time delay that is afforded to Block Trades.

#### 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 and/or the submission of an order for a Block Trade, 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 is a Swap Dealer or FCM that clears its own trades without use of a third-party platform, service or hub (as described below), Javelin SEF will deem the order submitted by such self-clearing Participant to have been screened against pre-trade credit limits (and approved) prior to its submission to Javelin SEF for execution. For 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 related to the pre-execution order screening process described in this Rule 520.

[the balance of Rule 520 remains the same]

## EXHIBIT B

### Rule Amendments

#### Rule 515. Block Trades

1. Pursuant to NAL 14-118, expiring December 15, 2015, Participants may submit Block Trades to Javelin SEF by electronic or voice hybrid electronic execution on Javelin SEF's RFQ System, which shall not be subject to the requirements of Javelin SEF Rule 506(1). In addition, Participants may use the Block Trade window of the Javelin SEF Trading System to: (a) perform pre-trade credit checks for Block Trade orders and (b) electronically submit Block Trades to Javelin SEF for clearing and swap data reporting.
2. Block Trades shall mean a publically reportable swap transaction that: (a) involves a swap that is listed on a registered swap execution facility or a designated contract market, (b) occurs away from the registered swap execution facility's or designated contract market's trading system or platform and is executed pursuant to the registered swap execution facility's or designated contract market's rules and procedures; (c) has a notional or principal amount at or above the appropriate minimum block size applicable to such swap; and (d) is reported subject to the rules and procedures of the registered swap execution facility or designated contract market and the rules described in this part, including the appropriate time delay requirements set forth in CFTC Regulation 43.5. For the avoidance of doubt, Participants may submit (by electronic, voice, or voice hybrid electronic means) an order that is above the minimum block size for execution on Javelin SEF, and if executed such trades will not receive block trade treatment (i.e.; the trade will not be not afforded the reporting time delay afforded to block trades).
3. This Rule does not prohibit the execution of a trade that is above the minimum block size threshold on Javelin SEF's voice central limit order book, electronic central limit order book, voice request for quote or electronic request for quote system as non-block trades. However, any such trade shall not receive treatment as a Block Trade and will not be afforded the reporting time delay that is afforded to Block Trades.

#### 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 and/or the submission of an order for a Block Trade, 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 is a Swap Dealer or FCM that clears its own trades without use of a third-party platform, service or hub (as described below), Javelin SEF will deem the order submitted by such self-clearing Participant to have been screened against pre-trade credit limits (and approved) prior to its submission to Javelin SEF for execution. For 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 related to the pre-execution order screening process described in this Rule 520.

[the balance of Rule 520 remains the same]