



TRADITION SEF, Inc.

July 18, 2014

**VIA E-MAIL (submissions@cftc.gov)**

Ms. Melissa Jurgens  
Secretary  
Commodity Futures Trading Commission  
Three Lafayette Centre  
1155 21st Street, N.W.  
Washington, D.C. 20581

**RE: CFTC Regulation 40.6(a) Certification. Notification of Amendments to Tradition SEF, Inc. Rulebook and Platform Supplement. Tradition SEF Submission No. 14-19.**

Dear Ms. Jurgens:

Pursuant to Section 5c(c) of the Commodity Exchange Act, as amended (the "Act"), and Commodity Futures Trading Commission ("CFTC" or the "Commission") Regulation 40.6, Tradition SEF, Inc. ("Tradition SEF") hereby notifies the Commission of amendments to its Rulebook, to be effective and implemented by Tradition as of August 4, 2014, which is the business day after the tenth business day of the Commission's review period.

Tradition SEF has amended the Rules to reflect the addition of a defined term "Package" related to Tradition SEF's Package transaction offerings, such as Interest Rate Spread Over Trades. The Rules have also been amended to reflect the addition of a new "Disregard Tape" Order type. Rules related to Participant criteria, including eligibility to transact in Package transactions, and Participant obligations to oversee employees and specific obligations over Customers that are authorized to trade on a Platform have been modified or added to the Rulebook. We have identified in Exhibit A the modified Rules and compliance with the SEF core principles ("Core Principles") as set forth in Section 5h of the Commodity Exchange Act and Part 37 of the Commission's regulations thereunder and in Exhibit B the provisions in the platform supplement that relate to Package transactions and Order types and Compliance with Core Principles. Attached as Exhibit C is the redlined platform supplement. Tradition SEF has simultaneously submitted a request for confidential treatment for Exhibits B, C and D. A copy of that request for confidential treatment is included with this submission. Exhibit E contains a redlined Rulebook.

Tradition SEF continues to be in compliance with applicable provisions of the Act, including the Core Principles. In particular, Tradition SEF has determined that it is in compliance with Core Principles 1 (Compliance with Core Principles), 2 (Compliance with Rules), 4 (Monitoring of Trading and Trade Processing), 5 (Ability to Obtain Information) and 7 (Financial Integrity of Transactions), as further described in the compliance chart provided in Exhibit A.

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212 791 4500 [www.traditionsef.com](http://www.traditionsef.com)*



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Tradition SEF hereby certifies that the rule amendments comply with the Commodity Exchange Act and the Commission's regulations thereunder. No substantive opposing views were expressed that were not incorporated into the rule amendments. Tradition SEF hereby certifies that it has posted a notice of pending certification with the Commission and a copy of the submission on its website (see, e.g., <http://www.traditionsef.com/news/>), concurrent with the filing of this submission with the Commission.

Should you require additional information related to this submission, please contact the undersigned at 212-791-3497 or [eric.earnhardt@tradition-na.com](mailto:eric.earnhardt@tradition-na.com). Please reference Tradition SEF Submission No. 14-19 in any related correspondence.

Sincerely,

A handwritten signature in black ink, appearing to read "Eric Earnhardt", written in a cursive style.

Eric Earnhardt

Chief Compliance Officer

Exhibit A  
Exhibit B (Confidential treatment requested)  
Exhibit C (Confidential treatment requested)  
Exhibit D (Confidential treatment requested)  
Exhibit E



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**EXHIBIT A**  
**Amendments to Rulebook**

Rule	Rule Change	Explanation and Analysis of the operation, purpose, and effect of the proposed rule or rule amendment and its compliance with applicable provisions of the Act, including core principles, and the Commission's regulations, the number.
<b>Rule 101</b>	Addition of "Regulatory Data" definition.	The purpose of this addition is to clearly provide a definition of the types of data that a Participant provides to Tradition SEF and which Tradition SEF may use unless the Participant does not consent to such use. The defined term is applied in another new rule, which has been added to comply with CFTC Rule 37.7 (Prohibited Use of Data Collected for Regulatory Purposes). By clearly stipulating when Tradition SEF may use Regulatory Data, Tradition SEF is in compliance with CFTC Rule 37.7 and Core Principle 1 (Compliance with Core Principles). Specifically, Tradition SEF is in compliance with CFTC Regulation 37.100, which requires that a SEF comply with any requirement that the CFTC may impose by rule or regulation.
<b>Rule 302(c)</b>	Amendment to Participant criteria informing Participants that they must enter into appropriate clearing arrangements with respect to Package transactions as specified in the applicable Platform Supplement.	The purpose of this amendment is to inform Participants of specific obligations related to Package transactions. The amendment stipulates that a Participant must enter into the appropriate clearing arrangement for certain components of a Package transaction. The rule amendment demonstrates Tradition SEF's ongoing compliance with Core Principle 7 (Financial Integrity of Transactions) and, in particular, CFTC Regulation 37.701 (Required Clearing). Tradition SEF continues to comply with Core Principle 2 (Compliance with Rules) and, specifically, CFTC Regulation 37.202 (Access Requirements), which stipulates that a SEF must have transparent and impartial access criteria. The amendment to this rule demonstrates Tradition SEF's desire to establish transparent and impartial access criteria.
<b>Rule 304(a)(3)</b>	Amendment to Rule requiring Participants that enter into Orders for Customers to obtain a representation from Customers	The purpose of this amendment is to inform Participants that enter into Orders for Customers of specific obligations related to Package transactions. The amendment stipulates that a Participant must obtain a representation from its Customer that the



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	that they have entered into the appropriate requisite clearing arrangements for Package transactions.	Customer has entered into the appropriate clearing arrangement for certain components of a Package transaction. The rule amendment demonstrates Tradition SEF's ongoing compliance with Core Principle 7 (Financial Integrity of Transactions) and, in particular, CFTC Regulation 37.701 (Required Clearing). Tradition SEF continues to comply with Core Principle 2 (Compliance with Rules) by establishing rules governing the operation of the SEF, including rules related to access to the SEF as required by CFTC Regulation 37.201(b)(2). Also, the rule amendment complies with CFTC Regulation 37.202 (Access Requirements), which stipulates that a SEF must have transparent and impartial access criteria. The amendment to this rule demonstrates Tradition SEF's desire to establish transparent and impartial access criteria.
<b>Rule 304(a)(9)</b>	Amendment to Rule requiring a Customer who falls within the Act's definition of "special entity" to provide a representation of its compliance with law or regulation to which it is subject upon request by Tradition SEF.	The purpose of this Rule amendment is to ensure that Customers that are deemed to be "special entities" are adhering to the Act's requirements and related regulations such that the Customers may continue participating on a Platform without violating the Rules. The amendment demonstrates Tradition SEF's compliance with Core Principle 1 (Compliance with Core Principles), Core Principle 2 (Compliance with Rules) and Core Principle 5 (Ability to Obtain Information). Specifically, Tradition SEF is in compliance with CFTC Regulation 37.202 (Access Requirements) and CFTC Regulations 37.501 (Establish and Enforce Rules) and 502 (Collection of Information) because Tradition SEF has the clear authority to obtain information from a specific type of Customer.
<b>Rule 304(b)</b>	Addition of new paragraph (b), stipulating that Participants that enter into Swaps subject to mandatory clearing are responsible for compliance with the mandatory trading requirement.	The purpose of this addition to Rule 304 is to make clear that a Participant must adhere to Section 2(h)(8) of the Act when entering into Swaps. The amendment demonstrates Tradition SEF's compliance with Core Principle 1 (Compliance with Core Principles), Core Principle 2 (Compliance with Rules).
<b>Rule 402(a); (a)(9); (a)(11)</b>	Amendments to clarify a Participant's supervisory obligations over and related	The purpose of these amendments is to clarify that a Participant must cause its employees who are Authorized Traders or Authorized Brokers to comply with the



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	<p>liability of the Participant's employees who are Authorized Traders or Authorized Brokers.</p>	<p>duties and obligations Rules applicable to Participants. For example, such employees must comply with Tradition SEF's Rules and Obligations and applicable NFA Rules. Tradition SEF continues to comply with Core Principle 2 (Compliance with Rules) by establishing rules governing the operation of the SEF, including rules related to access to the SEF as required by CFTC Regulation 37.201(b)(2) and in a transparent and impartial manner as required by CFTC Regulation 37.202.</p>
<p><b>Rule 403</b></p>	<p>Addition of new Rule setting forth the duties and obligations of Participants that provide Customers access to a Platform.</p>	<p>The purpose of this rule addition is to inform Participants of specific duties and obligations that arise when a Participant provides Customers with access to a Platform. For example, a Customer that is not also a Participant must provide information to and appear before Tradition SEF upon request. A Participant is to terminate or suspend a Customer's access to a Platform if the Customer's actions threaten the integrity or liquidity of any contract or if the Customer violates Rules or the Commodity Exchange Act. The rule also explicitly provides that Participants that are FCMs or Clearing Firms must comply with laws and regulations pertaining to the treatment of customer funds and orders. This rule complies with Core Principle 2 (Compliance with Rules) by establishing rules governing the operation of the SEF, including rules related to access to the SEF as required by CFTC Regulation 37.201(b)(2). Also, the rule amendment complies with CFTC Regulation 37.202 (Access Requirements), which stipulates that a SEF must have transparent and impartial access criteria.</p> <p>Further, the addition of this rule demonstrates Tradition SEF's ongoing compliance with Core Principle 5 (Ability to Obtain Information) and, particularly, CFTC Regulations 37.500(a) and 37.502. These regulations require a SEF to establish rules that permit it to obtain information necessary to perform functions described under section 5h of the Commodity Exchange Act and to collect information on both a routine and non-routine basis from market participants. The addition of this rule facilitates Tradition SEF's compliance with these regulations.</p>



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<b>Rule 412(b)</b>	Conforming changes to reflect changes to rule numbering.	This change demonstrates Tradition SEF's compliance with Core Principle 1 (Compliance with Core Principles) and Core Principle 2 (Compliance with Rules) by establishing transparent and accurate rules.
<b>Rule 506(l)</b>	Addition of subparagraph (l), which sets forth the definition of the "Disregard Tape" Order Type.	The purpose of this addition is to permit Participants to submit DRT Orders. The addition demonstrates Tradition SEF's compliance with Core Principle 4 (Monitoring of Trading and Trade Processing) and CFTC Regulation 37.400 because the rule clearly demonstrates to market participants the types of permissible Orders that can be executed on or subject to the rules of Tradition SEF.
<b>Rule 510(b)</b>	Minor revision to reflect that the Audit Trail requirements apply to Participants that connect to the SEF or provide connectivity to the SEF.	The purpose of this amendment is to make clear that a Participant must comply with Audit Trail requirements if it directly connects to the SEF Platform. The amendment demonstrates Tradition SEF's compliance with Core Principle 1 (Compliance with Core Principles) and Core Principle 2 (Compliance with Rules). Specifically, Tradition SEF is in compliance with the audit trail requirements set forth in CFTC Regulation 37.205 (Audit Trail), which requires a SEF to establish an audit trail with the ability to track a customer order from the time of receipt through fill, allocation or other disposition.
<b>Rule 510(e)</b>	Addition of a new paragraph (e) stipulating the types of records a Participant or Customer must retain with regards to their SEF Activity.	The purpose of this amendment is to stipulate that Participants and Customers must retain certain records and make them available upon request to Tradition SEF, any regulatory service provider and the Commission. The amendment furthers Tradition SEF's audit trail program, in compliance with Core Principle 2 (Compliance with Rules) and CFTC Regulation 37.205 (Audit Trail).
<b>Rule 613(i)</b>	Addition of a new paragraph (i) to provide that a respondent in a disciplinary matter may request a copy of a hearing and when a transcription will be made.	The purpose of this amendment is to make explicit a regulatory requirement to provide a copy of a hearing to a respondent and when transcripts of such hearing will be made. CFTC Regulation 37.206 (Disciplinary Procedures and Sanctions) requires that a SEF provide a copy of a hearing and a transcript under certain circumstances. Tradition SEF is in compliance with this regulation and Core Principle 2 (Compliance with Rules) by explicitly incorporating the regulatory requirement in



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<p><b>Rule 701</b></p>	<p>Amendment to clarify the rule's application to Package transactions.</p>	<p>its Rulebook.</p> <p>The purpose of this amendment is to inform Participants that the prohibition against Breakege Agreements as a condition of trading applies to Package transactions. The amendment is in accordance with the September 26, 2013 CFTC Staff Guidance, which states that the imposition of Breakege Agreements would be "an impairment to impartial access to SEFs." Accordingly, tradition SEF has amended Rule 701 to prohibit the imposition of such agreements with regards to Package transactions. The rule amendment impacts Core Principle 2 (Compliance with Rules) and, specifically, CFTC Regulation 37.202 (Access Requirements), which stipulates that a SEF must have transparent and impartial access criteria. The amendment to this rule demonstrates Tradition SEF's ongoing compliance with this Core Principle by establishing transparent and impartial access criteria.</p>
<p><b>Rules 705 and 706</b></p>	<p>Addition of a new Rule 705 (and current Rule 705 has been renumbered Rule 706), which explicitly requires that Participants comply with margin requirements pertaining to Cleared Swaps.</p>	<p>The purpose of this new Rule is to make clear that a Participant must adhere to Commission, Clearing House or Clearing Firm margin requirements when entering into Cleared Swaps. The amendment demonstrates Tradition SEF's compliance with Core Principle 1 (Compliance with Core Principles), Core Principle 2 (Compliance with Rules), Core Principle 7 (Financial Integrity of Swaps) and specifically CFTC Regulation 37.701 (Required Clearing).</p>
<p><b>Rule 802(d)</b></p>	<p>Addition of subparagraph (d), which provides the circumstances under which Tradition SEF may use Regulatory Data for business or marketing purposes.</p>	<p>The purpose of this addition is to clearly stipulate when Tradition SEF may use Regulatory Data, in compliance with CFTC Rule 37.7 (Prohibited Use of Data Collected for Regulatory Purposes). The addition of this rule demonstrates Tradition SEF's compliance with CFTC Rule 37.7 and Core Principle 1 (Compliance with Core Principles). Specifically, Tradition SEF is in compliance with CFTC Regulation 37.100, which requires that a SEF comply with any requirement that the CFTC may impose by rule or regulation.</p>



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**EXHIBIT B**  
**Amendments to Platform Supplements**

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EXHIBIT C

Redlined Trad-X Platform Supplement

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**EXHIBIT C IS SUBJECT TO A REQUEST FOR CONFIDENTIAL TREATMENT**



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**EXHIBIT D**  
**Redlined Volbroker Platform Supplement**

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**EXHIBIT D IS SUBJECT TO A REQUEST FOR CONFIDENTIAL TREATMENT**



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**EXHIBIT E**  
**Redlined Rulebook**

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