



Tradition SEF, Inc.

Participant Notice 14-26 – Introduction of USD CME/LCH CCP Auctions on Trad-X Interest Rate Swap Platform

December 15, 2014

To : Tradition SEF Authorized Representatives
From : Tradition SEF Operations and Compliance

Authorized Representatives,

Tradition SEF will be introducing Central Counterparty (CCP) auctions on Wednesday, December 17, 2014, that allow Participants and Customers to enter block size orders to negotiate “switch” (or “spread”) trades in interest rate swaps (IRS) between LCH Clearnet (LCH) and CME Clearing (CME) CCPs. The auction prices will be quoted on the basis between the fixed rate of the LCH cleared swap and the fixed rate of the CME cleared swap.

The CCP auctions will be conducted in accordance with the following protocols and in conjunction with the Tradition SEF Rulebook and Trad-X Product Supplement:

USD CME/LCH CCP Auctions on Trad-X – protocols:

- CME/LCH CCP Auctions start every Wednesday at 10:30AM NYC time.
- The first session runs for 5 minutes followed by a 5 minutes break. The second session runs for 5 minutes. Third session under same timing.
- The “execution price” of the auction is the basis in between the fix rate of the LCH cleared swap and the fix rate of the CME cleared swap.
- Price of the first session will be communicated to participants by email the previous day.
- If at the end of this session on any maturity there is more than 5 times the minimum execution size left on a side, then execution price will be moved $1/20^{\text{th}}$ of a basis point up/down accordingly for the second session.
- Orders may be amended or cancelled during the auction sessions.
- Multiple buy and seller orders for the same auction are permitted.
- Minimum execution sizes are the following :
 - 2 (CME) v 2 (LCH) – 500MM
 - 3 (CME) v 3 (LCH) –250MM
 - 5 (CME) v 5 (LCH)—250MM
 - 7 (CME) v 7 (LCH)—200MM
 - 8 (CME) v 7 (LCH)—200MM
 - 9 (CME) v 7 (LCH)—200MM
 - 10 (CME) v 10 (LCH)—200MM
 - 11 (CME) v 7 (LCH)—150MM
 - 12 (CME) v 12 (LCH)—150MM



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- 15 (CME) v 15 (LCH)— 150MM
- 20 (CME) v 20 (LCH)— 150MM
- 30 (CME) v 30 (LCH)— 150MM

- Trade unit tick sizes is in the increments of the above minimum execution sizes
- Orders will be instantly matched on a first come, first served basis.
- The LCH cleared swap will be executed at the Mid-Market rate displayed in the CLOB from Trad-X at the time of the execution.
- Orders will be matched either partially (in minimum size) or fully and will remain in the Order Book awaiting the match until they are cancelled by the user or cancelled automatically at the end of the auction session.
- Trades will be reported immediately into the Trad-X public blotter.
- SEF confirmations will be sent to trading counterparties via Markitwire
- The auction service is fully integrated with the Trad-X Credit Matrix,
- Access will be provided to all Trad-X participants if/when requested.
- Auction Execution Fee: 0.02bp NPV on one leg.

For assistance with auction system related issues please contact Trading Operations at trading.operations@tradition-na.com or call +1 (212) 238 5930

Please contact Tradition SEF at the numbers below if you have any questions.

For SEF administrative or compliance questions please contact:

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For SEF legal questions please contact:

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