



**Tradition SEF, Inc.**

October 10, 2013

via email to: [SEFReporting@cftc.gov](mailto:SEFReporting@cftc.gov)

Nancy Markowitz, Deputy Director  
Division of Market Oversight  
Commodity Futures Trading Commission  
Three Lafayette Centre  
1155 21st Street, NW  
Washington, DC 20581

RE: Tradition SEF Notice of Intent to Rely On Time-Limited No-Action Relief Provided by CFTC Letter No. 13-55 (Amended September 30, 2013)

Dear Ms. Markowitz:

Tradition SEF, a temporarily registered swap execution facility (“SEF”) hereby notifies the Division of Market Oversight (“Division”) of the Commodity Futures Trading Commission (“CFTC” or “Commission”) of its intent to rely on the time-limited no-action relief for certain equity swaps provided in CFTC Letter No. 13-55, as amended.

1. In connection therewith, the following is a description of Tradition SEF’s reporting capabilities as it relates to the reporting of Part 43 and Part 45 creation data within the equity asset class.

Within the equity asset class at this time, Tradition SEF has two proposed work flows that address our SDR reporting capabilities – The Index Variance Swap Work Flow and the Manual Swap Work Flow. (These are described below in section 3).

While Tradition SEF is currently live in production with the Index Variance Swap Work Flow, certain issues that did not appear during testing indicate that some additional work will be required. Tradition SEF believes that we will be able to report Index Variance Swaps to the DTCC SDR in short order, while the remainder of the swap types listed in the table immediately below will take additional time to complete development and testing.

Asset Class	Base Product	Sub-Product	Transaction type	Product Listing Name
Equity	Swap	Parameter Return Variance	Single Index	Index Variance Swaps
Equity	Swap	Price Return Basic Performance	Single Index	Total Return Swaps
Equity	Swap	Price Return Basic Performance	Basket	Swap Baskets (Broad)
Equity	Swap	Parameter Return Volatility	Single Index	Volatility Swaps

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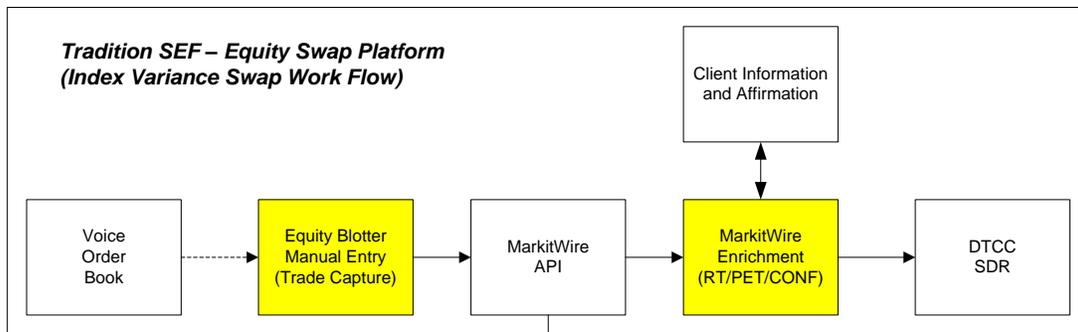
2. Tradition SEF has entered into agreements with MarkitWire (MarkitSERV Ltd.) regarding assistance in reporting of Part 43 and Part 45 creation data.

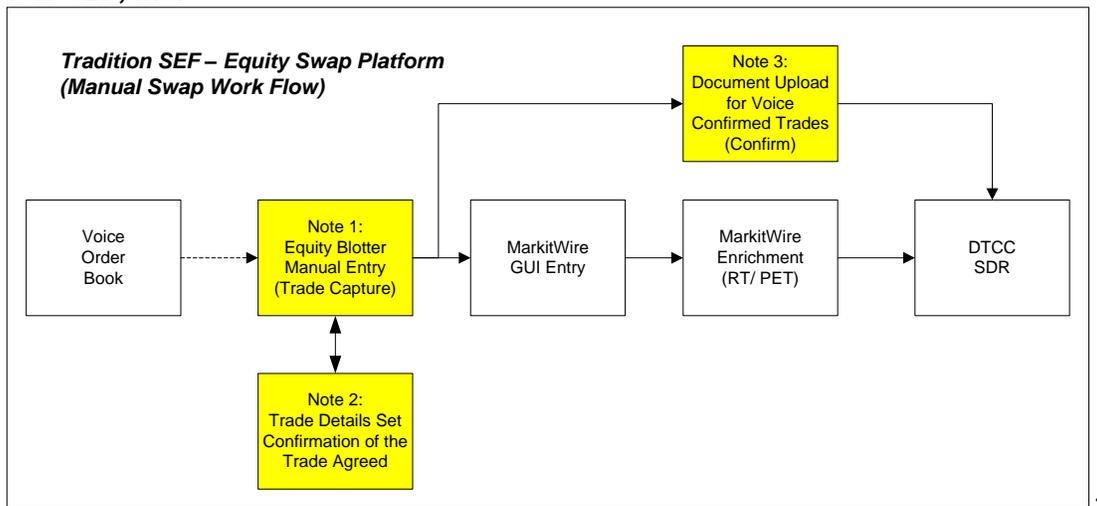
Tradition utilizes the MarkitWire middleware systems to validate, enrich and report static and trade data, respectively during the trade reporting process. Middleware systems have been developed over time and are generally accepted by the trading community as the preferred method of collecting and storing various artifacts of static data so that they are centralized and available to firms that connect through them. Furthermore, these systems use this data to calculate the values of other fields (i.e. collateralization) that are needed to satisfy the reporting and recordkeeping requirement.

3. Tradition SEF is unable to report the following categories of swaps, and the swaps that are included in each category that Tradition SEF is unable to report are set forth below.

Asset Class	Base Product	Sub-Product	Transaction type	Product Listing Name
Equity	Swap	Parameter Return Variance	Single Index	Index Variance Swaps
Equity	Swap	Price Return Basic Performance	Single Index	Total Return Swaps
Equity	Swap	Price Return Basic Performance	Basket	Swap Baskets (Broad)
Equity	Swap	Parameter Return Volatility	Single Index	Volatility Swaps

There are three basic issues that need to be addressed during the relief period in order for Tradition SEF to comply with the commission’s rules as stated in Parts 43 and 45 as well as the SEF Final Rules. Consider the trade flow diagrams below for the Index Variance Swap and Manual Swap Work Flows. The bulleted items below describe our current reporting issues.



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**Issues**

- Client data that had been expected to be collected and processed for entry into Tradition SEF systems during the on-boarding process has not been completed due to the no-action relief concerning on-boarding. This information is critical to the fulfillment of creation data requirements. (Refer to diagram above, affected areas Notes 1 and 2.)
- Due to the unexpected inclusion of equity index swap transactions, as a result of Footnote 88, MarkitWire has not on-boarded customers to be able to affirm (and thereby confirm) trades – other than Variance Swaps. This has introduced a requirement for Tradition SEF to manually gather relevant details from Market participants in order to create “The Confirmation” of record, which is also reported to DTCC. Additionally, Tradition SEF has begun development of a confirmation upload capability, which is specified by DTCC, and facilitates reporting to the SDR. (Refer to diagram above, affected areas Notes 3.)
- The selection of MarkitWire as a third party affirmation provider and SDR conduit was largely centered around their demonstrated capabilities to collect, manage and enrich existing trade information with MCA (Master Confirmation Agreement) data. As discussed above, the timetable for this data collection has been severely decreased and Tradition SEF has had to plan to collect (and maintain) this information internally. The chart below indicates the Part 45 and Part 43 data that we are currently able to capture and that which we cannot. Tradition SEF Project Management Organization estimates that the development and testing time needed to complete these updates is approximately five weeks.

Section	Data Point	TRS	Swap Basket	Var Swap	Volatility Swap
Part 43	Cancellation	Yes	Yes	Yes	Yes
Part 43	Correction	Yes	Yes	Yes	Yes
Part 43	Execution timestamp	Yes	Yes	Yes	Yes
Part 43	Cleared or uncleared	Yes	Yes	Yes	Yes

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Section	Data Point	TRS	Swap Basket	Var Swap	Volatility Swap
Part 43	Indication of collateralization	New Field Required. BA in progress.			
Part 43	Indication of end-user exception	New Field Required. BA in progress.			
Part 43	Indication of other price affecting term (indication for non-standardized (bespoke) swaps)	Ongoing Research Needed	Ongoing Research Needed	Ongoing Research Needed	Ongoing Research Needed
Part 43	Block trades and large notional off-facility swaps	N/A	N/A	N/A	N/A
Part 43	Execution venue	Yes	Yes	Yes	Yes
Part 43	Effective or start date	Yes	Yes	Yes	Yes
Part 43	End date	Yes	Yes	Yes	Yes
Part 43	Day count convention	New Field Required. BA in progress.			
Part 43	Settlement currency (i.e. value date)	Yes	Yes	Yes	Yes
Part 43	Asset class	Yes	Yes	Yes	Yes
Part 43	Sub-asset class for other commodity	Yes	Yes	Yes	Yes
Part 43	Contract type	Yes	Yes	Yes	Yes
Part 43	Contract sub-type	Yes	Yes	Yes	Yes
Part 43	Price-forming continuation data	Ongoing Research Needed	Ongoing Research Needed	Ongoing Research Needed	Ongoing Research Needed
Part 43	Underlying asset 1	Yes	Yes	Yes	Yes
Part 43	Underlying asset 2	N/A	Yes	N/A	N/A
Part 43	Price notation	Yes	Yes	Yes	Yes
Part 43	Additional price notation	N/A	N/A	N/A	N/A
Part 43	Unique product identifier	Yes	Yes	Yes	Yes
Part 43	Notional currency 1 (i.e. base currency)	Yes	Yes	Yes	Yes
Part 43	Rounded notional or principal amount 1	Yes	Yes	Yes	Yes
Part 43	Notional currency 2 (i.e. counter currency)	N/A	Yes	Yes	N/A
Part 43	Rounded notional or principal amount 2	N/A	Yes	N/A	N/A
Part 43	Payment frequency 1	Yes	Yes	Yes	Yes
Part 43	Payment frequency 2	N/A	Yes	N/A	N/A
Part 43	Reset frequency 1	Yes	Yes	Yes	Yes
Part 43	Reset frequency 2	N/A	Yes	N/A	N/A
Part 45	USI for the swap	Yes	Yes	Yes	Yes
Part 45	LEI of reporting counterparty*	Yes	Yes	Yes	Yes

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Section	Data Point	TRS	Swap Basket	Var Swap	Volatility Swap
Part 45	Indication of whether reporting counterparty* is a SD with respect to swap	Yes	Yes	Yes	Yes
Part 45	Indication of whether reporting counterparty* is a MSP with respect to swap	Yes	Yes	Yes	Yes
Part 45	If reporting counterparty* is not a SD/MSP with respect to swap, an indication of whether the reporting counterparty* is a financial entity (per CEA s. 2(h)(7)(C))	New Field Required. BA in progress.			
Part 45	Indication of whether the reporting counterparty* is a U.S. person	Yes	Yes	Yes	Yes
Part 45	Indication that swap will be allocated	Ongoing Research Needed	Ongoing Research Needed	Ongoing Research Needed	Ongoing Research Needed
Part 45	If swap will be allocated, or is a post-allocation swap, LEI of the agent	Ongoing Research Needed	Ongoing Research Needed	Ongoing Research Needed	Ongoing Research Needed
Part 45	Indication that swap is a post-allocation swap	Ongoing Research Needed	Ongoing Research Needed	Ongoing Research Needed	Ongoing Research Needed
Part 45	If swap is a post-allocation swap, the USI of the original transaction between the reporting counterparty and agent	Ongoing Research Needed	Ongoing Research Needed	Ongoing Research Needed	Ongoing Research Needed
Part 45	LEI of the non-reporting party	Yes	Yes	Yes	Yes
Part 45	If no CFTC-approved LEI for the non-reporting counterparty** is yet available, the internal identifier for the non-reporting counterparty** used by the SDR	Yes	Yes	Yes	Yes
Part 45	Indication of whether the non-reporting counterparty** is a SD with respect to swap	Yes	Yes	Yes	Yes
Part 45	Indication of whether non-reporting counterparty** is a MSP with respect to swap	Yes	Yes	Yes	Yes

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Section	Data Point	TRS	Swap Basket	Var Swap	Volatility Swap
Part 45	If the non-reporting counterparty** is not a SD/MSP with respect to swap, an indication of whether the non-reporting counterparty** is a financial entity (per CEA s. 2(h)(7)(C))	New Field Required. BA in progress.			
Part 45	Indication of whether the non-reporting counterparty** is a U.S. person	Yes	Yes	Yes	Yes
Part 45	UPI assigned to swap	Yes	Yes	Yes	Yes
Part 45	If no UPI is available for the swap because it is not sufficiently standardized, the taxonomic description of the swap per CFTC-approved product classification system	Yes	Yes	Yes	Yes
Part 45	If no CFTC-approved UPI and product classification system is yet available, the internal product identifier or product description used by SDR	Yes	Yes	Yes	Yes
Part 45	Indication that swap is a multi-asset swap	Yes	Yes	Yes	Yes
Part 45	For a multi-asset class swap, an indication of the primary asset class	Yes	Yes	Yes	Yes
Part 45	For a multi-asset class swap, an indication of the secondary asset class(es)	Ongoing Research Needed	Ongoing Research Needed	Ongoing Research Needed	Ongoing Research Needed
Part 45	Indication that swap is mixed swap	Unsure. Needs research.	Unsure. Needs research.	Unsure. Needs research.	Unsure. Needs research.
Part 45	For mixed swap reported to two non-dually registered SDRs, the identity of the other SDR (if any) to which swap is/will be reported	No. This would need a new field.			
Part 45	Indication of the counterparty purchasing protection	Ongoing Research Needed	Ongoing Research Needed	Ongoing Research Needed	Ongoing Research Needed
Part 45	Indication of the counterparty selling protection	Ongoing Research Needed	Ongoing Research Needed	Ongoing Research Needed	Ongoing Research Needed
Part 45	Information identifying the reference entity	Ongoing Research Needed	Ongoing Research Needed	Ongoing Research Needed	Ongoing Research Needed
Part 45	Contract type	Yes	Yes	Yes	Yes
Part 45	Block trade indicator	N/A	N/A	N/A	N/A
Part 45	Execution timestamp	Yes	Yes	Yes	Yes



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Section	Data Point	TRS	Swap Basket	Var Swap	Volatility Swap
Part 45	Execution venue	Yes	Yes	Yes	Yes
Part 45	Start date	Yes	Yes	Yes	Yes
Part 45	Maturity, termination, or end date	Yes	Yes	Yes	Yes
Part 45	Price	Yes	Yes	Yes	Yes
Part 45	Notional amount and currency in which notional amount is expressed	Yes	Yes	Yes	Yes
Part 45	Amount and currency (or currencies) of any upfront payment	Yes	Yes	Yes	Yes
Part 45	Payment frequency of reporting counterparty	Yes	Yes	Yes	Yes
Part 45	Payment frequency of non-reporting counterparty	Yes	Yes	Yes	Yes
Part 45	Timestamp for submission to SDR	New Field Required. BA in progress.			
Part 45	Clearing indicator	N/A	N/A	N/A	N/A
Part 45	Clearing venue	N/A	N/A	N/A	N/A
Part 45	If swap will not be cleared, an indication of whether the clearing requirement exception in CEA s. (2)(h)(7) was elected	New Field Required. BA in progress.			
Part 45	Identity of the counterparty electing the clearing requirement exception in CEA s. (2)(h)(7)	N/A	N/A	N/A	N/A
Part 45	Indication of collateralization	New Field Required. BA in progress.			
Part 45	Any other term(s) of the swap matched or affirmed by the counterparties in verifying the swap	Ongoing Discussions	Ongoing Discussions	Ongoing Discussions	Ongoing Discussions

If you have any questions regarding this notice please contact me at the details below or Jeff Mehan at 212-943-4567 or by email at [jeff.mehan@tradition.com](mailto:jeff.mehan@tradition.com).

Sincerely,

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 Chief Compliance Officer  
 212 791 3497  
[Eric.earnhardt@tradition-na.com](mailto:Eric.earnhardt@tradition-na.com)