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May 12, 2014

By Email: submissions@cftc.gov

Secretary of the Commission
Office of the Secretariat
Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st Street, N.W.
Washington, D.C. 20581

Re: *tpSEF Inc. – Regulation 40.2 Certification of Bullion Options (tpSEF Submission #14-01P)*

Ladies and Gentlemen:

tpSEF Inc. ("tpSEF") herby notifies the Commodity Futures Trading Commission (the "Commission") of its intent to list Bullion Options (the "Contracts") on tpSEF's swap execution facility. tpSEF intends to list these Contracts on May 13, 2014.

Pursuant to Commission Regulation 40.2, this submission includes:

i. A copy of the CFTC Rules and Products Submission Cover Sheet in accordance with the instructions in Appendix D to Part 40 of the Commission's regulations, attached as Exhibit A;

ii. The intended listing date – May 13, 2014;

iii. A certification by tpSEF that: (a) the Contracts comply with the Commodity Exchange Act, as amended, and the Commission's regulations thereunder; and (b) concurrent with this submission, tpSEF posted on its website: (i) a notice of pending certification of the Contracts and (ii) a copy of this submission, attached as Exhibit B;

iv. The Contracts' terms and conditions, attached as Exhibit C; and

v. An explanation and analysis of the Contracts' compliance with applicable core principles and Commission regulations, attached as Exhibit D.

Questions regarding this submission should be directed to Brian Donnelly, Chief Compliance Officer, at (201) 984-6956 or by email at bddonnelly@tullettprebon.com, or to Mark Campbell, Chief Operating Officer, at (201) 557-5786 or by email at mcampbell@tullettprebon.com.

Sincerely,

Mark Campbell

cc: Division of Market Oversight (dmosubmissions@cftc.gov)
Brian Donnelly, tpSEF (bddonnelly@tullettprebon.com)

EXHIBIT A

SUBMISSION COVER SHEET

Registered Entity Identifier Code (optional) 14-01P **Date:** May 12, 2014

***IMPORTANT*: CHECK BOX IF CONFIDENTIAL TREATMENT IS REQUESTED.** ☐

ORGANIZATION tpSEF Inc.

FILING AS A: ☐ **DCM** ☒ **SEF** ☐ **DCO** ☐ **SDR** ☐ **ECM/SPDC**

TYPE OF FILING

- **Rules and Rule Amendments**
  - ☐ Certification under § 40.6 (a) or § 41.24 (a)
  - ☐ "Non-Material Agricultural Rule Change" under § 40.4 (b)(5)
  - ☐ Notification under § 40.6 (d)
  - ☐ Request for Approval under § 40.4 (a) or § 40.5 (a)
  - ☐ Advance Notice of SIDCO Rule Change under § 40.10 (a)
- **Products**
  - ☒ Certification under § 39.5(b), § 40.2 (a), or § 41.23 (a)
  - ☐ Swap Class Certification under § 40.2 (d)
  - ☐ Request for Approval under § 40.3 (a)
  - ☐ Novel Derivative Product Notification under § 40.12 (a)

RULE NUMBERS

Not applicable; the terms and conditions of "Bullion Options" are attached as Exhibit C.

DESCRIPTION

This submission contains a self-certification by tpSEF Inc. of "Bullion Options" pursuant to Commodity Futures Trading Commission Regulation 40.2(a).

EXHIBIT B

CERTIFICATIONS PURSUANT TO SECTION 5c OF THE COMMODITY EXCHANGE ACT, 7 U.S.C. §7A-2 AND COMMODITY FUTURES TRADING COMMISSION REGULATION 40.2, 17 C.F.R. §40.2

tpSEF Inc. ("tpSEF") hereby certifies that: (i) Bullion Options (the "Contracts") comply with the Commodity Exchange Act, 7 U.S.C. §1 *et seq*. and Commodity Futures Trading Commission ("Commission") regulations thereunder; and (ii) concurrent with this submission, tpSEF posted on its website: (a) a notice of pending certification of the Contracts with the Commission and (b) a copy of this submission.

TPSEF INC.

By: ____________________________

Name: Mark Campbell

Title: Chief Operating Officer

Date: May 12, 2014

<u>EXHIBIT C</u>

Terms and Conditions

Summary:	This covers uncleared bullion options ("Bullion Options").
Limitations on Available Selections and Default Settings:	The terms under which Bullion Options may be traded are shown below and in the attached tables.
Incorporated Standards:	This contract description incorporates by reference the following industry standard documentation and standards: 2000 ISDA Definitions 2005 ISDA Commodity Derivatives Definitions ("Commodity Definitions"), including Sub-Annex B thereto.
Product Type/ISDA OTC Taxonomy:	
ISDA OTC Asset Class:	Commodity
ISDA OTC Base Product:	Metals
ISDA OTC Sub-Product:	Precious
ISDA OTC Transaction type:	Option
ISDA OTC Settlement type:	Cash or Physical
Further Limitations:	None
Terms:	
Trade Date:	As agreed by the parties.
Bullion:	As specified by the parties from among the Available Bullion.
Number of Ounces:	As specified by the parties. For any type of Bullion, the meaning of "Ounce" will be as specified for that Bullion in the list of Available Bullion unless otherwise agreed by the parties.
Bullion Option Style:	As specified by the parties from among the Available Bullion Option Styles.
Bullion Option Type:	As specified by the parties from among the Available Bullion Option Types.
Bullion Option Seller:	As specified by the parties.
Bullion Option Buyer:	As specified by the parties.
Bullion Strike Price:	As specified by the parties as a number of units of the one of the Available Currencies.
Bullion Premium:	As specified by the parties as a number of units of the one of the Available Currencies.
Bullion Premium Payment Date:	As specified by the parties.
Bullion Premium Payment Date Business Days	Per the Available Currencies, plus such additional Business Days as the parties specify.
Bullion Premium Payment Date Business Day Convention:	As specified by the parties from among the Available Business Day Conventions or otherwise per the Commodity Definitions.
Bullion Business Day:	Shall have the meaning specified in the Commodity Definitions, save that the reference to "New York" therein shall be deemed to be a reference to the relevant financial center for the Applicable Currency in which the Bullion Strike Price is denominated.

Method of Averaging:	For Asian Options, as specified by the parties or otherwise per the Commodity Definitions.
Procedure for Exercise:	
Bullion Exercise Period:	For an American Style Bullion Option, the period of days and the times on such days specified by the parties. For any other Bullion Option Style, the times on the Expiration Date or Potential Exercise Date specified by the parties.
Bullion Potential Exercise Dates:	For a Bermuda Style Bullion Option, the days specified by the parties.
Bullion Expiration Date:	As specified by the parties.
Bullion Expiration Time:	For a European Style Bullion Option, as specified by the parties.
Bullion Settlement Date:	In accordance with Section 10.4(b)(xvii) of the Commodity Definitions, unless specified by the parties.
Seller’s Notice Information:	As specified by the Seller.
Automatic Exercise:	Applicable, unless otherwise specified by the parties.
In-the-Moniness for Automatic Exercise:	In the case of a Bullion Option for which Automatic Exercise is, or is deemed to be, applicable, and to which Settlement by Delivery is applicable, one percent of the Bullion Strike Price (as specified in Section 10.4(c)(ii)(B)(x) of the Commodity Definitions) or such other amount as specified by the parties.
Price Source for Automatic Exercise:	In the case of a Bullion Option for which Automatic Exercise is, or is deemed to be, applicable, and to which Settlement by Delivery is applicable, the Seller’s bid or offer price (as specified in Section 10.4(c)(ii)(B) of the Commodity Definitions) unless otherwise specified by the parties.
Written Confirmation:	As specified by the parties.
Settlement:	As specified by the parties from among the Available Settlement Types; *provided*, *however*, that Cash Settlement will only be available for Available Currencies for which it is specified as such.
Additional Provisions for Tax:	None, unless specified by the parties in accordance with Section 10.11 of the Commodity Definitions.
Market Disruption:	
Market Disruption Events:	Unless otherwise specified by the parties, per the Commodity Definitions.
Additional Market Disruption Events:	As specified by the parties.
Disruption Fallbacks:	Unless otherwise specified by the parties, per the Commodity Definitions.
Fallback Reference Price:	None, unless specified by the parties.
Maximum Days of Disruption:	Unless otherwise specified by the parties, per the Commodity Definitions.
Provisions Relating to Cash Settlement:	
Commodity Reference Price:	As specified by the parties from among the Available Commodity Reference Price.
Bullion Transaction Settlement Date:	As specified by the parties.
Provisions Relating to Settlement by Delivery:	
Delivery Location:	Per the Delivery Loco specified in the Available Bullion below.

Consequences of Bullion Settlement Disruption Events:	Cancellation and Payment unless the parties agree that Negotiation is applicable.
Miscellaneous:	
Discharge and Termination:	Section 10.4(c)(iv) of the Commodity Definitions will apply if specified by the parties, unless the Bullion Option Transaction is an Allocated Transaction.
Novation Netting:	For Bullion Options subject to Settlement by Delivery and is not an Allocated Transaction, as agreed by the parties on a “Type of Obligation” or “Matched Pair” basis.
Calculation Agent:	As agreed by the parties.

Bullion Option Available Currencies and Required Business Days

Three Letter Currency Code (ISDA/ISO)	Currency Name (ISDA)	Basic Business Day Locations For Currency (FpML Codes)	Available Settlement Type
AUD	Australian Dollar	AUSY	Physical Only
CHF	Swiss Franc	CHZU	Physical Only
EUR	Euro	EUTA	Cash or Physical
GBP	Sterling	GBLO	Cash or Physical
JPY	Japanese Yen	JATO	Physical Only
USD	United States Dollars	USNY	Cash or Physical

Bullion Options Available Bullion Business Day Conventions

ISDA Name
Following
Modified/Modified Following
Nearest
Preceding

Bullion Option Available Bullion Option Style

ISDA Name
American
European
Bermuda

Bullion Option Available Bullion Option Type

ISDA Name
Bullion Put Option
Bullion Call Option
Bermuda

Bullion Options Available Bullion

Metal	Ounce	Delivery Loco/Rules
Gold	Fine troy ounce	London/LBMA
Palladium	Troy ounce	Zurich/LPPM or London/LPPM
Platinum	Troy ounce	Zurich/LPPM or London/LPPM
Silver	Troy ounce	London/LBMA

The following Commodity Reference Prices are as defined in Sub-Annex A to the Commodity Definitions.

ISDA Definition
GOLD-A.M. FIX
GOLD-P.M. FIX
PALLADIUM-A.M. FIX
PALLADIUM-P.M. FIX
PLATINUM-A.M. FIX
PLATINUM-P.M. FIX
SILVER-FIX

For any Available Currency other than USD and any Bullion Option to which Cash Settlement is applicable, the Commodity Reference Price shall be per Sub-Annex A, save that the reference to U.S. Dollars shall be replaced by a reference to the relevant Available Currency.

EXHIBIT D

EXPLANATION AND ANALYSIS OF THE CONTRACTS' COMPLIANCE WITH APPLICABLE CORE PRINCIPLES AND COMMISSION REGULATIONS

As required by Commodity Futures Trading Commission ("Commission") Regulation 40.2(a), the following analysis, in narrative form, demonstrates that Bullion Options (the "Contracts") are consistent with the requirements of the Commodity Exchange Act, as amended (the "Act"), and the Commission's regulations and guidance thereunder (in particular, Appendix B to Part 37 and Appendix C to Part 38).

Appendix B to Part 37

CORE PRINCIPLE 3 OF SECTION 5H OF THE ACT—SWAPS NOT READILY SUSCEPTIBLE TO MANIPULATION; CORE PRINCIPLE 4 OF SECTION 5H OF THE ACT—MONITORING OF TRADING AND TRADE PROCESSING

The swap execution facility shall permit trading only in swaps that are not readily susceptible to manipulation.

(a) *Guidance*.

(1) In general, a swap contract is an agreement to exchange a series of cash flows over a period of time based on some reference price, which could be a single price, such as an absolute level or a differential, or a price index calculated based on multiple observations. Moreover, such a reference price may be reported by the swap execution facility itself or by an independent third party. When listing a swap for trading, a swap execution facility shall ensure a swap's compliance with Core Principle 3, paying special attention to the reference price used to determine the cash flow exchanges. Specifically, Core Principle 3 requires that the reference price used by a swap not be readily susceptible to manipulation. As a result, when identifying a reference price, a swap execution facility should either: Calculate its own reference price using suitable and well-established acceptable methods or carefully select a reliable third-party index.

(2) The importance of the reference price's suitability for a given swap is similar to that of the final settlement price for a cash-settled futures contract. If the final settlement price is manipulated, then the futures contract does not serve its intended price discovery and risk management functions. Similarly, inappropriate reference prices cause the cash flows between the buyer and seller to differ from the proper amounts, thus benefitting one party and disadvantaging the other. Thus, careful consideration should be given to the potential for manipulation or distortion of the reference price.

The Contract, a bullion option, will either be cash or physically settled. The cash settled options grants the owner the right to receive a cash payment based on the relationship between the price of a bullion at a specific date or dates and a strike price agreed by the parties at inception of the Contract. (The physically settled options have no reference price; they are settled by delivery of metal against payment of the strike price.)

As such, the reference price for the Contract is the price of the London fixing for the relevant metal. This price is not readily susceptible to manipulation since the fixing participants actually transact at the price and the process has been used and trusted for near 100 years.

(3) For swaps that are settled by physical delivery or by cash settlement refer to the guidance in Appendix C to Part 38 of this chapter—Demonstration of Compliance that a Contract is not Readily Susceptible to Manipulation, section b(2) and section c(4), respectively.

Please see below.

Appendix C to Part 38 - Demonstration of Compliance That a Contract Is Not Readily Susceptible to Manipulation

(c) Futures Contracts Settled by Cash Settlement. (1) Cash settlement is a method of settling certain futures or option contracts whereby, at contract expiration, the contract is settled by cash payment in lieu of physical delivery of the commodity or instrument underlying the contract. An acceptable specification of the cash settlement price for commodity futures and option contracts would include rules that fully describe the essential economic characteristics of the underlying commodity (e.g., grade, quality, weight, class, growth, issuer, maturity, source, rating, description of the underlying index and index's calculation methodology, etc.), as well as how the final settlement price is calculated. In addition, the rules should clearly specify the trading months and hours of trading, the last trading day, contract size, minimum price change (tick size) and any limitations on price movements (e.g., price limits or trading halts).

Essential Economic Characteristics of the Contract Terms

The terms and conditions of the Contracts match the terms of bullion options that are commonly offered in the U.S. market and are listed in Exhibit C.

As is common with bullion options, the Contract has several flexible terms. For instance, counterparties are able to choose the option style, tenor of the option, cash or physical settlement and settlement date (see Exhibit C). The trading hours, however, are fixed at twenty-three hours, Sunday – Friday (ET).

Contract Not Readily Susceptible to Manipulation

The Contract is not susceptible to manipulation for a number of reasons. First, as noted above, all of the essential terms of the Contract are agreed upon at the start of the Contract and remain static throughout the life of the option. Second, as indicated by volume data for futures contracts on the respective products, the underlying markets are very liquid – making manipulation very difficult to achieve. Finally, tpSEF Inc. ("tpSEF") has a robust market surveillance program that is effectively able to surveil this market, detect uncommon activity and investigate any such activity for signs of manipulation. tpSEF staff conduct real-time market surveillance and the National Futures Association ("NFA") provides regulatory services on a T+1 basis. NFA's services include comprehensive trade practice and market surveillance services (the scope of which can be found in the Regulatory Services Agreement between NFA and tpSEF submitted to the Commission as part of tpSEF's swap execution facility application) (note that the foregoing also demonstrates compliance with Core Principle 4).

Calculation of Cash Settlement Price

In the case of a cash settled call option, if the reference price is in excess of the strike price, then the seller of the option will owe the option buyer cash in an amount equal to the difference between that reference price and the strike price agreed at the inception of the Contract. If the reference price is at or below the strike, no payment is due on exercise.

In the case of a cash settled put option, if the reference price is less than the strike price, then the seller of the option will owe the option buyer cash in an amount equal to the difference between that the strike price agreed at the inception of the Contract and that reference price. If the reference price is at or above the strike, no payment is due on exercise.

In the case of physically settled options, there is no cash settlement price and the metal is delivered against payment of the strike price.

(2) Cash settled contracts may be susceptible to manipulation or price distortion. In evaluating the susceptibility of a cash-settled contract to manipulation, a designated contract market should consider the size and liquidity of the cash market that underlies the listed contract in a manner that follows the determination of deliverable supply as noted above in (b)(1). In particular, situations susceptible to manipulation include those in which the volume of cash market transactions and/or the number of participants contacted in determining the cash-settlement price are very low. Cash-settled contracts may create an incentive to manipulate or artificially influence the data from which the cash-settlement price is derived or to exert undue influence on the cash-settlement price's computation in order to profit on a futures position in that commodity. The utility of a cash-settled contract for risk management and price discovery would be significantly impaired if the cash settlement price is not a reliable or robust indicator of the value of the underlying commodity or instrument. Accordingly, careful consideration should be given to the potential for manipulation or distortion of the cash settlement price, as well as the reliability of that price as an indicator of cash market values. Appropriate consideration also should be given to the commercial acceptability, public availability, and timeliness of the price series that is used to calculate the cash settlement price. Documentation demonstrating that the settlement price index is a reliable indicator of market values and conditions and is commonly used as a reference index by industry/market agents should be provided. Such documentation may take on various forms, including carefully documented interview results with knowledgeable agents.

The Contract operates in liquid commodity markets with many participants. Also, as noted above, the cash settlement price is not easily susceptible to manipulation or distortion as the method of determining the price is based on (a) factors that are fixed at the start of the contract, and (b) a reliable reference price.

(3) Where an independent, private-sector third party calculates the cash settlement price series, a designated contract market should consider the need for a licensing agreement that will ensure the designated contract market's rights to the use of the price series to settle the listed contract.

(i) Where an independent, private-sector third party calculates the cash settlement price series, the designated contract market should verify that the third party utilizes business practices that minimize the opportunity or incentive to manipulate the cash-settlement price series. Such safeguards may include lock-downs, prohibitions against derivatives trading by employees, or public dissemination of the names of sources and the price quotes they provide. Because a cash-settled contract may create an incentive to manipulate or artificially influence the underlying

market from which the cash-settlement price is derived or to exert undue influence on the cash-settlement computation in order to profit on a futures position in that commodity, a designated contract market should, whenever practicable, enter into an information-sharing agreement with the third-party provider which would enable the designated contract market to better detect and prevent manipulative behavior.

As described above, the cash settlement price (for those options which are cash settled) is calculated through a cash settlement method that is not easily susceptible to manipulation.

(ii) Where a designated contract market itself generates the cash settlement price series, the designated contract market should establish calculation procedures that safeguard against potential attempts to artificially influence the price. For example, if the cash settlement price is derived by the designated contract market based on a survey of cash market sources, the designated contract market should maintain a list of such entities which all should be reputable sources with knowledge of the cash market. In addition, the sample of sources polled should be representative of the cash market, and the poll should be conducted at a time when trading in the cash market is active.

Please see above regarding the calculation of the cash settlement price.

(iii) The cash-settlement calculation should involve computational procedures that eliminate or reduce the impact of potentially unrepresentative data.

(iv) The cash settlement price should be an accurate and reliable indicator of prices in the underlying cash market. The cash settlement price also should be acceptable to commercial users of the commodity contract. The registered entity should fully document that the settlement price is accurate, reliable, highly regarded by industry/market agents, and fully reflects the economic and commercial conditions of the relevant designated contract market.

Please see above regarding the calculation of the cash settlement price.

(v) To the extent possible, the cash settlement price should be based on cash price series that are publicly available and available on a timely basis for purposes of calculating the cash settlement price at the expiration of a commodity contract. A designated contract market should make the final cash settlement price and any other supporting information that is appropriate for release to the public, available to the public when cash settlement is accomplished by the derivatives clearing organization. If the cash settlement price is based on cash prices that are obtained from non-public sources (e.g., cash market surveys conducted by the designated contract market or by third parties on behalf of the designated contract market), a designated contract market should make available to the public as soon as possible after a contract month's expiration the final cash settlement price as well as any other supporting information that is appropriate or feasible to make available to the public.

Please see above regarding the calculation of the cash settlement price. The reference price, or data necessary to calculate the reference price, is publicly available on exchanges' websites.

(4) Contract terms and conditions requirements for futures contracts settled by cash settlement.

(i) An acceptable specification of the terms and conditions of a cash-settled commodity contract will also set forth the trading months, last trading day, contract size, minimum price change (tick size) and daily price limits, if any.

Please see Exhibit C for the Contracts' terms and conditions. While there are common terms such as the trading hours, many of the terms are flexible. Nevertheless, the terms are all within commonly accepted market norms.

(A) ***Commodity Characteristics*****: The terms and conditions of a commodity contract should describe the commodity underlying the contract.**

The terms and conditions of the Contract specifically list the commodities on which counterparties can choose to base the Contract.

(B) ***Contract Size and Trading Unit*****: An acceptable specification of the trading unit would be a contract size that is consistent with customary transactions in the cash market. A designated contract market may opt to set the contract size smaller than that of standard cash market transactions.**

The size of the Contract is as determined by the counterparties, which is consistent with customary transactions in the market.

(C) ***Cash Settlement Procedure*****: The cash settlement price should be reliable, acceptable, publicly available, and reported in a timely manner as described in paragraphs (c)(3)(iv) and (c)(3)(v) of this appendix C.**

The cash settlement procedure and an explanation of how it is not readily susceptible to manipulation, is described above.

(D) ***Pricing Basis and Minimum Price Fluctuation (Minimum Tick)*****: The minimum price increment (tick) should be set a level that is equal to, or less than, the minimum price increment commonly observed in cash market transactions for the underlying commodity. Specifying a futures' minimum tick that is greater than the minimum price increment in the cash market can undermine the risk management utility of the futures contract by preventing hedgers from efficiently establishing and liquidating futures positions that are used to hedge anticipated cash market transactions or cash market positions.**

As determined by the counterparties.

(E) *Maximum Price Fluctuation Limits*: Designated contract markets may adopt price limits to: (1) Reduce or constrain price movements in a trading day that may not be reflective of true market conditions but might be caused by traders overreacting to news; (2) Allow additional time for the collection of margins in times of large price movements; and (3) Provide a "cooling-off" period for futures market participants to respond to bona fide changes in market supply and demand fundamentals that would lead to large cash and futures price changes. If price-limit provisions are adopted, the limits should be set at levels that are not overly restrictive in relation to price movements in the cash market for the commodity underlying the futures contract. For broad-based stock index futures contracts, rules should be adopted that coordinate with New York Stock Exchange ("NYSE") declared Circuit Breaker Trading Halts (or other market coordinated Circuit Breaker mechanism) and would recommence trading in the futures contract only after trading in the majority of the stocks underlying the index has recommenced.

As determined by the counterparties.

(F) *Last Trading Day*: Specification of the last trading day for expiring contracts should be established such that it occurs before publication of the underlying third-party price index or determination of the final settlement price. If the designated contract market chooses to allow trading to occur through the determination of the final settlement price, then the designated contract market should show that futures trading would not distort the final settlement price calculation.

The last trading day will be the last day of the term of the option, which is set by the individual counterparties.

(G) *Trading Months*: Trading months should be established based on the risk management needs of commercial entities as well as the availability of price and other data needed to calculate the cash settlement price in the specified months. Specification of the last trading day should take into consideration whether the volume of transactions underlying the cash settlement price would be unduly limited by occurrence of holidays or traditional holiday periods in the cash market. Moreover, a contract should not be listed past the date for which the designated contract market has access to use a proprietary price index for cash settlement.

As noted above, payments will be made on the settlement date in accordance with the cash settlement method described above as well as on the premium payment date. No other payments are made prior to the settlement date.

(H) *Speculative Limits*: Specific rules and policies for speculative position limits are set forth in part 150 and/or part 151, as applicable, of the Commission's regulations.

tpSEF will comply with Parts 150 and 151 of the Commission's regulations.

(I) *Reportable Levels*: Refer to § 15.03 of the Commission's regulations.

tpSEF will adhere to the applicable reporting levels set forth in § 15.03 of the Commission's regulations.

(J) *Trading Hours*: Should be set by the designated contract market to delineate each trading day.

The Contracts are traded twenty-three hours a day from Sunday to Friday Eastern Time. The Contracts are not traded between 5:30 p.m. and 6:30 p.m. Eastern Time.