

September 29, 2013

Submitted via CFTC Portal

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 Digital Foreign Exchange Options*

Ladies and Gentlemen:

tpSEF Inc. (“tpSEF”) hereby notifies the Commodity Futures Trading Commission (the “Commission”) of its intent to list Digital Foreign Exchange Options (the “Contracts”) on its swap execution facility. tpSEF intends to list these Contracts on October 2, 2013.

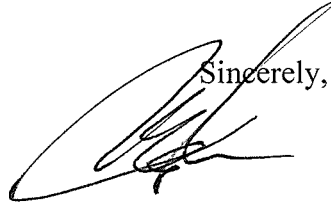
Pursuant to Commission Regulation 40.2, this submission includes:

- i. A copy of the 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 – October 2, 2013;
- iii. A certification by tpSEF that: (a) the Contracts comply with the Commodity Exchange Act, as amended (the “Act”), and the Commission 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.

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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,

A handwritten signature in black ink, appearing to be 'Mark Campbell', written in a cursive style.

Mark Campbell

cc without enclosures:

Division of Market Oversight (Email: dmosubmissions@cftc.gov)
David Van Wagner (Email: dvanwagner@cftc.gov)
Nancy Markowitz (Email: nmarkowitz@cftc.gov)
Amir Zaidi (Email: azaidi@cftc.gov)
Aaron Brodsky (Email: abrodsky@cftc.gov)
Swati Shah (Email: sshah@cftc.gov)
Mark Campbell (Email: mcampbell@tullettprebon.com)

EXHIBIT A

SUBMISSION COVER SHEET

Registered Entity Identifier Code (optional)

Date: September 29, 2013

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 “Digital Foreign Exchange Options” are attached as Exhibit C.

DESCRIPTION

This submission contains a self-certification by tpSEF Inc. of Digital Foreign Exchange Options.

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) Digital Foreign Exchange Options (the “Contracts”) comply with the Commodity Exchange Act, 7 U.S.C. §1 *et seq.* and the Commodity Futures Trading Commission (the “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: September 29, 2013

EXHIBIT C

Terms and Conditions

Summary:	This covers digital foreign exchange options.
Limitations on Available Selections and Default Settings:	<p>The terms under which a Digital Foreign Exchange Option may be traded are as specified in these terms and conditions and in the attached tables.</p> <p>For amounts or rates, the relevant term cannot be less than the specified Minimum, must represent an even Increment and cannot exceed the Maximum; for a date, the date cannot be earlier than Earliest nor later than Latest.</p> <p>For Business Days, the defaults shall be the locations specified for the relevant currency, any additional locations specified for the relevant Floating Rate Options.</p> <p>The parties may add additional locations from the Available Locations and may eliminate some or all of the other locations, so long as there is at least one location in which payment may be made. For these purposes “TARGET”/EUTA is considered a location.</p> <p>In many cases there are normal “vanilla” terms on which the parties will transact. These are shown as “Default ” and will apply unless the parties vary them.</p> <p>It should be noted that these contracts can be traded in a variety of currencies. Since each national market has its own peculiarities, the “Available Terms” and/or “Default Terms” may vary by currency.</p> <p>In some cases, the same contract might have different terms depending on the market in which it is traded (e.g., London versus NY). In that case the default settings may vary by market.</p>
Incorporated Standards:	<p>This contract description incorporates by reference the following industry standard documentation and standards:</p> <ul style="list-style-type: none"> (a) the 1998 FX and Currency Option Definitions and 2005 Amendment (b) the 2005 Barrier Option Supplement to the 1998 FX and Currency Option Definitions (c) the 2000 Annex A to the 1998 FX and Currency Option Definitions and the March 2013 Compendium of Amendments (d) ISDA OTC Taxonomies (e) FpML Location Codes <p>For convenience, certain terms are mapped to their FpML 5.5 equivalent.</p>

	For purposes of this description, the term COP means the lawful currency of the Republic of Columbia
Product Type/ISDA OTC Taxonomy:	
ISDA OTC Asset Class:	Foreign Exchange
ISDA OTC Base Product:	Simple Exotic
ISDA OTC Sub-Product:	Digital Option
Further Limitations:	None
FpML Schema:	“confirmation.fxOption”
Terms:	
Trade Date:	The date the transaction is agreed between and becomes legally binding on the parties.
Commencement Date (“americanExercise.commencementDate”):	As specified by the parties. This applies only where the Option Style is American.
Buyer (“buyerPartyReference”):	As specified by the parties.
Seller (“sellerPartyReference”):	As specified by the parties.
Currency Option Style:	As specified by the parties.
Currency Option Type:	Binary
Expiration Date (“expiryDate”):	As specified by the parties.
Expiration Time (“europeanExercise.expiryTime”):	The time in the location specified by the parties.
Settlement:	Non-Deliverable
Settlement Date:	As specified by the parties.
Premium (“premium”)	As specified by the parties.
Premium Payment Date:	As specified by the parties.
Barrier (“features.barrier”):	Applicable
Event Type:	As specified by the parties from among the Available Binary Types,
Spot Exchange Rate Direction (“direction”):	As specified by the parties from among the Available Spot Exchange Directions.
Barrier Event Rate Source (“informationSource”):	As specified by the parties.
Barrier Level (“triggerRate”):	As specified by the parties as a number of one Currency per the other Currency (“quotedCurrencyPair”, “currency1”, “currency2” and “quoteBasis”), for transactions which are not of Option Type Double One-Touch or Double No-Touch.
Lower Barrier Level (“triggerRate”):	As specified by the parties as a number of one Currency per the other Currency (“quotedCurrencyPair”, “currency1”, “currency2” and “quoteBasis”), for transactions which are of Option Type Double One-Touch or Double No-Touch.
Upper Barrier Level (“triggerRate”):	As specified by the parties as a number of one Currency per the other Currency (“quotedCurrencyPair”, “currency1”, “currency2” and “quoteBasis”), for transactions which are e of Option Type Double One-Touch or Double No-Touch.
Event Period Start Date and Time (“observationStartDate”, “observationStartTime”):	As specified by the parties.
Event Period End Date and Time (“observationEndDate” “observationEndTime”):	As specified by the parties.
Calculation Agent:	As specified by the parties.
Business Days for Premium Payment Date:	As specified by the parties.
Business Days for Settlement Date:	As specified by the parties.
Business Days for Expiration Date:	As specified by the parties.
Business Days (General):	As specified by the parties.

Business Day Convention for Premium Payment Date:	As specified by the parties.
Business Day Convention for Expiration Date:	As specified by the parties.
Business Day Convention for Settlement Date:	As specified by the parties.
Event Currency:	As specified by the parties if any Disruption Events are applicable.
Disruption Events:	As specified by the parties.
Disruption Fallbacks:	As specified by the parties for each Disruption Event applicable.

FX Digital Option Available Currencies and Principal Financial Centers

Three Letter Currency Code (ISDA/ISO)	Currency Name (ISDA)	Principal Financial Centers for Currency (FpML Codes)
AUD	Australian Dollar	AUME and AUSY
EUR	Euro	EUTA
USD	United States Dollar	USNY

FX Digital Option Available Currency Pairs, Minimum and Increment

	CALL		
PUT	AUD	EUR	USD
AUD		Y	Y
EUR	Y		Y
USD	Y	Y	

The Minimum Amount for any currency pair is 5,000,000 of Settlement Amount in the Settlement Currency with an Increment of 5,000,000.

FX Digital Option Requirements and Defaults

Variable	Requirement	Default
Event Period Start Date and Time:		Trade Date and time
Event Period End Date and Time:		Expiration Date at Expiration Time
Barrier Event Determination Agent:		Calculation Agent
Business Days for Premium Payment Date:	At least one of the specified locations must be able to settle relevant Currency	Principal Financial Center for Currency of Premium
Business Days for Settlement Dates:	The specified locations must at least be able to settle each Currency in the Currency Pair	Principal Financial Center for each Currency of the Currency Pair
Business Days for Expiration Dates:	If Automatic Exercise does not apply, location of Seller If Automatic Exercise does apply, trading day for each Currency of Currency Pair	Location of Seller and trading day for each Currency of Currency Pair
Business Day Convention for Premium Payment Date:	Cannot result in payment due prior to Trade Date	Following
Business Day Convention for Expiration Date:		Following
Business Day Convention for Settlement Date	Cannot result in payment due prior to Exercise Date	Following
Disruption Events:		None
Disruption Fallbacks:	Required only if there are Disruption Events	None

FXO Available Business Day Conventions

ISDA Name
Following
Modified/Modified Following
Nearest
Preceding

FX Digital Option Available Event Types

Event Type
One-Touch Binary
No-Touch Binary
Double One-Touch Binary
Double No-Touch Binary

FX Digital Option Available Spot Exchange Rate Direction

Spot Exchange Rate Direction
Greater than or equal to
Less than or equal to

FX Digital Option Available Barrier Event Rate Source

Exchange	Source
AUD/EUR	As agreed by the parties.
AUD/USD	As agreed by the parties.
EUR/USD	As agreed by the parties.

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 Digital Foreign Exchange Options (the "Contracts") are consistent with the requirements of the Commodity Exchange Act, as amended (the "Act"), and the Commission regulations and guidance thereunder (in particular, Appendix B to Part 37 and Appendix C to Part 38).

Appendix B to Part 37—Demonstration of Compliance That a Contract Is Not Readily Susceptible to Manipulation

**CORE PRINCIPLE 3 OF SECTION 5H OF THE ACT—SWAPS NOT READILY SUSCEPTIBLE TO
MANIPULATION**

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.

There is no reference price; all of the terms (e.g., strike price, currency, settlement date) are agreed upon by the parties at the start of the contract, and do not change throughout the life of the contract.

(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

(4) Options on Physicals Contracts.

(i) Under the Commission's regulations, the term “option on physicals” refers to option contracts that do not provide for exercise into an underlying futures contract. Upon exercise, options on physicals can be settled via physical delivery of the underlying commodity or by a cash payment. Thus, options on physicals raise many of the same issues associated with trading in futures contracts regarding adequacy of deliverable supplies or acceptability of the cash settlement price series. In this regard, an option that is cash settled based on the settlement price of a futures contract would be considered an “option on physicals” and the futures settlement price would be considered the cash price series.

(ii) In view of the above, acceptable practices for the terms and conditions of options on physicals contracts include, as appropriate, those practices set forth above for physical-delivery or cash-settled futures contracts plus the practices set forth for options on futures contracts.

As required by Appendix C, the following analysis with respect to the Contracts, which are options on physicals, sets forth those relevant sections of Appendix C that pertain to “physical delivery contracts” and to “options on futures contracts.”

(b) Futures Contracts Settled by Physical Delivery. (1) For listed contracts that are settled by physical delivery, the terms and conditions of the contract should conform to the most common commercial practices and conditions in the cash market for the commodity underlying the futures contract. The terms and conditions should be designed to avoid any impediments to the delivery of the commodity so as to promote convergence between the price of the futures contract and the cash market value of the commodity at the expiration of a futures contract.

See the Contracts’ terms and conditions in Exhibit C attached.

The Contracts have several flexible terms – for instance, counterparties are able to choose: (a) the trade date; (b) whether or not the option can be exercised at any time prior to the Expiration Date or only at the Expiration Date (i.e., American or European); (c) currency that will be used for the premium, notional and put/call; and (d) the strike price. The trading hours, however, are fixed for each contract – trading is available twenty-three hours a day, from Sunday to Friday.

(i) Estimating Deliverable Supplies.

(A) General definition. The specified terms and conditions, considered as a whole, should result in a “deliverable supply” that is sufficient to ensure that the contract is not susceptible to price manipulation or distortion. In general, the term “deliverable supply” means the quantity of the commodity meeting the contract's delivery specifications that reasonably can be expected to be readily available to short traders and salable by long traders at its market value in normal cash marketing channels at the contract's delivery points during the specified delivery period, barring abnormal movement in interstate commerce. Typically, deliverable supply reflects the quantity of the commodity that potentially could be made available for sale on a spot basis at current prices at the contract's delivery points. For a non-financial physical-delivery commodity contract, this estimate might represent product which is in storage at the delivery point(s) specified in the futures contract or can be moved economically into or through such points consistent with the delivery procedures set forth in the contract and which is available for sale on a spot basis within the marketing channels that normally are tributary to the delivery point(s). Furthermore, an estimate of deliverable supply would not include supply that is committed for long-term agreements (i.e., the amount of deliverable supply that would not be available to fulfill the delivery obligations arising from current trading). The size of commodity supplies that are committed to long-term agreements may be estimated by consulting with market participants. However, if the estimated deliverable supply that is committed for long-term agreements, or significant portion thereof, can be demonstrated by the designated contract market to be consistently and regularly made available to the spot market for shorts to acquire at prevailing economic values, then those “available” supplies committed for long-term contracts may be included in the designated contract market's estimate of deliverable supply for that commodity. An adequate measure of deliverable supply would be an amount of the commodity that would meet the normal or expected range of delivery demand without causing futures prices to become distorted relative to cash market prices. Given the availability of acceptable data, deliverable supply should be estimated on a monthly basis for at least the most recent three years for which data are available. To the extent possible and that data resources permit, deliverable supply estimates should be constructed such that the data reflect, as close as possible, the market defined by the contract's terms and conditions, and should be formulated, whenever possible, with government or publicly available data. All deliverable supply estimates should be fully defined, have all underlying assumptions explicitly stated, and have documentation of all data/information sources in order to permit estimate replication by Commission staff.

Foreign currency is an extremely liquid market. Accordingly, the Contract is not readily susceptible to manipulation.

(B) Accounting for variations in deliverable supplies. To assure the availability of adequate deliverable supplies and acceptable levels of commercial risk management utility, contract terms and conditions should account for variations in the patterns of production, consumption and supply over a period of years of sufficient length to assess adequately the potential range of deliverable supplies. This assessment also should consider seasonality, growth, and market concentration in the production/consumption of the underlying cash commodity. Deliverable supply implications of seasonal effects are more straightforwardly delineated when deliverable supply estimates are calculated on a monthly basis and when such monthly estimates are provided for at least the most recent three years for which data resources permit. In addition, consideration should be given to the relative roles of producers, merchants, and consumers in the production, distribution, and consumption of the cash commodity and whether the underlying commodity exhibits a domestic or

international export focus. Careful consideration also should be given to the quality of the cash commodity and to the movement or flow of the cash commodity in normal commercial channels and whether there exist external factors or regulatory controls that could affect the price or supply of the cash commodity.

Foreign currencies are standard and readily available, and are not to subject to variations in the patterns of production, consumption or supply. Some of the currencies are, of course, less widely traded than others.

(C) Calculation of deliverable supplies. Designated contract markets should derive a quantitative estimate of the deliverable supplies for the delivery period specified in the proposed contract. For commodities with seasonal supply or demand characteristics, the deliverable supply analysis should include that period when potential supplies typically are at their lowest levels. The estimate should be based on statistical data, when reasonably available, covering a period of time that is representative of the underlying commodity's actual patterns of production, patterns of consumption, and patterns of seasonal effects (if relevant). Often, such a relevant time period should include at least three years of monthly deliverable supply estimates permitted by available data resources. Deliverable supply estimates should also exclude the amount of the commodity that would not be otherwise deliverable on the futures contract. For example, deliverable supplies should exclude quantities that at current price levels are not economically obtainable or deliverable or were previously committed for long-term agreements.

Foreign currency is an extremely liquid market.

(2) Contract terms and conditions requirements for futures contracts settled by physical delivery.

(i) For physical delivery contracts, an acceptable specification of terms and conditions would include, but may not be limited to, rules that address, as appropriate, the following criteria and comply with the associated standards:

(A) Quality Standards. The terms and conditions of a commodity contract should describe or define all of the economically significant characteristics or attributes of the commodity underlying the contract. In particular, the quality standards should be described or defined so that such standards reflect those used in transactions in the commodity in normal cash marketing channels. Documentation establishing that the quality standards of the contract's underlying commodity comply with those accepted/established by the industry, by government regulations, and/or by relevant laws should also be submitted. For any particular commodity contract, the specific attributes that should be enumerated depend upon the individual characteristics of the underlying commodity. These may include, for example, the following items: grade, quality, purity, weight, class, origin, growth, issuer, originator, maturity window, coupon rate, source, hours of trading, etc. If the terms of the contract provide for the delivery of multiple qualities of a specific attribute of the commodity having different cash market values, then a "par" quality should be specified with price differentials applicable to the "non-par" qualities that reflect discounts or premiums commonly observed or expected to occur in the cash market for that commodity.

The Contract's terms and conditions indicate the foreign currencies that underlay the Contract. Quality standards, such as purity, grade, etc. are not applicable to foreign currencies.

(B) Delivery Points and Facilities. Delivery point/area specifications should provide for futures delivery at a single location or at multiple locations where the underlying cash commodity is

normally transacted or stored and where there exists a viable cash market(s). If multiple delivery points are specified and the value of the commodity differs between these locations, contract terms should include price differentials that reflect usual differences in value between the different delivery locations. If the price relationships among the delivery points are unstable and a designated contract market chooses to adopt fixed locational price differentials, such differentials should fall within the range of commonly observed or expected commercial price differences. In this regard, any price differentials should be supported with cash price data for the delivery location(s). The terms and conditions of the contracts also should specify, as appropriate, any conditions the delivery facilities and/or delivery facility operators should meet in order to be eligible for delivery. Specification of any requirements for delivery facilities also should consider the extent to which ownership of such facilities is concentrated and whether the level of concentration would be susceptible to manipulation of the futures contract's prices. Commodity contracts also should specify appropriately detailed delivery procedures that describe the responsibilities of deliverers, receivers and any required third parties in carrying out the delivery process. Such responsibilities could include allocation between buyer and seller of all associated costs such as load-out, document preparation, sampling, grading, weighing, storage, taxes, duties, fees, drayage, stevedoring, demurrage, dispatch, etc. Required accreditation for third-parties also should be detailed. These procedures should seek to minimize or eliminate any impediments to making or taking delivery by both deliverers and takers of delivery to help ensure convergence of cash and futures at the expiration of a futures delivery month.

Delivery points are not applicable to foreign currency.

(C) Delivery Period and Last Trading Day. An acceptable specification of the delivery period would allow for sufficient time for deliverers to acquire the deliverable commodity and make it available for delivery, considering any restrictions or requirements imposed by the designated contract market. Specification of the last trading day for expiring contracts should consider whether adequate time remains after the last trading day to allow for delivery on the contract.

The last trading day of the Contract is the expiration date of the option, which is the last opportunity (and in the case of European options, the only opportunity) for the holder of the option to exercise it. The settlement date is set at an appropriate time to allow for the exchange of the currencies if the option has been exercised.

(D) Contract Size and Trading Unit. An acceptable specification of the delivery unit and/or trading unit would be a contract size that is consistent with customary transactions, transportation or storage amounts in the cash market (e.g., the contract size may be reflective of the amount of the commodity that represents a pipeline, truckload or railcar shipment). For purposes of increasing market liquidity, a designated contract market may elect to specify a contract size that is smaller than the typical commercial transaction size, storage unit or transportation size. In such cases, the commodity contract should include procedures that allow futures traders to easily take or make delivery on such a contract with a smaller size, or, alternatively, the designated contract market may adopt special provisions requiring that delivery be made only in multiple contracts to accommodate reselling the commodity in the cash market. If the latter provision is adopted, contract terms should be adopted to minimize the potential for default in the delivery process by ensuring that all contracts remaining open at the close of trading in expiring delivery months can be combined to meet the required delivery unit size. Generally, contract sizes and trading units should be determined after a careful analysis of relevant cash market trading practices, conditions

and deliverable supply estimates, so as to ensure that the underlying market commodity market and available supply sources are able to support the contract sizes and trading units at all times.

The contract size is the notional amount, which, as is customary in the market, is agreed upon by the counterparties.

(E) Delivery Pack. The term “delivery pack” refers to the packaging standards (e.g., product may be delivered in burlap or polyethylene bags stacked on wooden pallets) or non-quality related standards regarding the composition of commodity within a delivery unit (e.g., product must all be imported from the same country or origin). An acceptable specification of the delivery pack or composition of a contract's delivery unit should reflect, to the extent possible, specifications commonly applied to the commodity traded or transacted in the cash market.

Not applicable to foreign currencies.

(F) Delivery Instrument. An acceptable specification of the delivery instrument (e.g., warehouse receipt, depository certificate or receipt, shipping certificate, bill of lading, in-line transfer, book transfer of securities, etc.) would provide for its conversion into the cash commodity at a commercially-reasonable cost. Transportation terms (e.g., FOB, CIF, freight prepaid to destination) as well as any limits on storage or certificate daily premium fees should be specified. These terms should reflect cash market practices and the customary provision for allocating delivery costs between buyer and seller.

The settlement procedures for a particular Contract are determined by the counterparties. If the option is exercised, the parties exchange the applicable currencies.

(G) Inspection Provisions. Any inspection/certification procedures for verifying compliance with quality requirements or any other related delivery requirements (e.g., discounts relating to the age of the commodity, etc.) should be specified in the contract rules. An acceptable specification of inspection procedures would include the establishment of formal procedures that are consistent with procedures used in the cash market. To the extent that formal inspection procedures are not used in the cash market, an acceptable specification would contain provisions that assure accuracy in assessing the commodity, that are available at a low cost, that do not pose an obstacle to delivery on the contract and that are performed by a reputable, disinterested third party or by qualified designated contract market employees. Inspection terms also should detail which party pays for the service, particularly in light of the possibility of varying inspection results.

Not applicable to foreign currencies.

(H) Delivery (Trading) Months. Delivery months should be established based on the risk management needs of commercial entities as well as the availability of deliverable supplies in the specified months.

As noted above, an American option can be exercised any time up to and including the expiration date, while a European option can only be exercised at the expiration date of the option.

(I) Minimum Price Fluctuation (Minimum Tick). The minimum price increment (tick) should be set at 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 agreed between the counterparties, the minimum price increment is consistent with customary transactions in the market.

(J) 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.

As agreed between the counterparties.

(K) Speculative Limits. Specific information regarding the establishment of speculative position limits are set forth in part 150, and/or part 151, as applicable, of the Commission’s regulations.

None required by Parts 150 or 151.

(L) 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.

(M) 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.

(d) Options on a Futures Contract. (1) The Commission's experience with the oversight of trading in futures option contracts indicates that most of the terms and conditions associated with such trading do not raise any regulatory concerns or issues. The Commission has found that the following terms do not affect an option contract's susceptible to manipulation or its utility for risk management. Thus, the Commission believes that, in most cases, any specification of the following terms would be acceptable; the only requirement is that such terms be specified in an automatic and objective manner in the option contract's rules:

- Exercise method;
- Exercise procedure (if positions in the underlying futures contract are established via book entry);

- **Strike price listing provisions, including provisions for listing strike prices on a discretionary basis;**
- **Strike price intervals;**
- **Automatic exercise provisions;**
- **Contract size (unless not set equal to the size of the underlying futures contract); and**
- **Option minimum tick should be equal to or smaller than that of the underlying futures contract.**

As noted in the Contracts' terms and conditions (see Exhibit C), the following terms are specified in an automatic and objective manner: (a) exercise method – the counterparties choose the exercise method, whether American or European at the start of the Contract; (b) the strike price and the strike price intervals – these are as agreed by the counterparties, which is consistent with customary practice in the market; (c) the contract size and minimum tick – these terms are also as agreed by the counterparties.

On the Expiration Date / Time (or anytime up to and including the Expiration Date / Time, in the case of an American option), the owner of the option can choose to exercise it at the agreed upon strike price. The payments must be made on the Settlement Date, which is set by the counterparties at the start of the contract.

(2) Option Expiration & Last Trading Day. For options on futures contracts, specification of expiration dates should consider the relationship of the option expiration date to the delivery period for the underlying futures contract. In particular, an assessment should be made of liquidity in the underlying futures market to assure that any futures contracts acquired through exercise can be liquidated without adversely affecting the orderly liquidation of futures positions or increasing the underlying futures contract's susceptibility to manipulation. When the underlying futures contract exhibits a very low trading activity during an expiring delivery month's final trading days or has a greater risk of price manipulation than other contracts, the last trading day and expiration day of the option should occur prior to the delivery period or the settlement date of the underlying future. For example, the last trading day and option expiration day might appropriately be established prior to first delivery notice day for option contracts with underlying futures contracts that have very limited deliverable supplies. Similarly, if the futures contract underlying an option contract is cash settled using cash prices from a very limited number of underlying cash market transactions, the last trading and option expiration days for the option contract might appropriately be established prior to the last trading day for the futures contract.

As noted above, the last trading day of the Contract is the Expiration Date of the option, which is the last opportunity (and in the case of European options, the only opportunity) for the holder of the option to exercise it. As previously stated, foreign currency is an extremely liquid market. Accordingly, the Contract is not readily susceptible to manipulation.

(3) Speculative Limits. In cases where the terms of an underlying futures contract specify a spot-month speculative position limit and the option contract expires during, or at the close of, the futures contract's delivery period, the option contract should include a spot-month speculative position limit provision that requires traders to combine their futures and option position and be subject to the limit established for the futures contract. 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.

None required.