November 25, 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 Natural Gas – Date/Instrument Spread Contracts*

Ladies and Gentlemen:

tpSEF Inc. ("tpSEF") herby notifies the Commodity Futures Trading Commission (the "Commission") of its intent to list Natural Gas – Date/Instrument Spread Contracts (the "Contracts") on tpSEF's swap execution facility. tpSEF intends to list these Contracts on November 27, 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 – November 27, 2013;

iii. A certification by tpSEF that: (a) the Contracts comply with the Commodity Exchange Act, as amended, 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.

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 without enclosures:

Division of Market Oversight (Email: dmosubmissions@cftc.gov)
David Van Wagner (Email: dvanwagner@cftc.gov)
Nancy Markowitz (Email: nmarkowitz@cftc.gov)
Aaron Brodsky (Email: abrodsky@cftc.gov)
Swati Shah (Email: sshah@cftc.gov)
Brian Donnelly (Email: bddonnelly @tullettprebon.com)

EXHIBIT A

SUBMISSION COVER SHEET

Registered Entity Identifier Code (optional) **Date:** November 25, 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 "Natural Gas – Date/Instrument Spread Contracts" are attached as Exhibit C.

DESCRIPTION

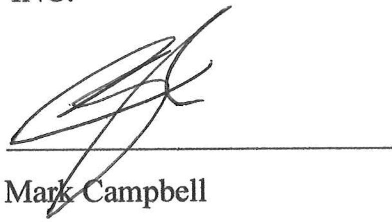
This submission contains a self-certification by tpSEF Inc. of Natural Gas – Date/Instrument Spread Contracts.

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) Natural Gas – Date/Instrument Spread Contracts (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: November 25, 2013

EXHIBIT C

Terms and Conditions

Contract Overview:	A natural-gas date/instrument spread contract is a cash-settled agreement between two counterparties whereby one counterparty agrees to pay a floating amount to the other counterparty on a given date, and then receive a different floating amount from the other counterparty on a different, later date. The difference between the two floating amounts is the spread, which is the quoted price for the contract. The floating amounts are based on the notional quantity traded and the price of natural gas a stated hub published by one of a series of industry.
Publication Sources:	• CGPR—Canadian Gas Price Reporter • Gas Daily—Platt's Gas Daily's Daily Report • IFERC—Platt's Inside FERC Gas Market Reporter • NGI—Natural Gas Intelligence's Bidweek Survey The floating amount can be based on the price for a given period in a given issue of the publication source (*e.g.*, monthly based on the first issue of the month) or an average of prices (*e.g.*, average of weekly bid prices for each weekly issue), as agreed by the parties.

Reference Commodities:	• AECO—Alberta Energy Co. (CGPR) • ALG—Algonquin Energy Co. (IFERC) • Chicago—Chicago City Gate (IFERC) • CIG—Colorado Interstate Gas, North Mainline (IFERC) • DOM—Dominion Transmission Co. (IFERC) • HSC—Houston Ship Channel (IFERC) • Malin—Pacific Gas Transmission Co., Malin (IFERC) • Michigan—Michigan Consolidated Gas Company Citygate (IFERC) • NGPC Mid Con—Natural Gas Pipeline Co of America (IFERC) • Panhandle—Panhandle Eastern Pipeline Co. (IFERC) • Permian—El Paso Natural Gas Co. Permian Basin Pool (IFERC) • PG&E Citygate—PG&E Citygate (IFERC) • Rockies—Northwest Pipeline, Rocky Mountain Pool (IFERC) • San Juan— El Paso Natural Gas Co. San Juan Basin Pool (IFERC) • Socal—Socal Citygate (IFERC) • Sumas—Northwest Pipeline, Sumas (IFERC) • TCO—Columbia Gas Transmission Company (IFERC) • TETCO M3—Texas Eastern Transmission Corp M3 Zone (IFERC) • Texok— Natural Gas Pipeline Co of Americak TexOK (IFERC) • Trans Z6 NY—Transcontinenal Gas Pipeline, Zone 6 (NY) (IFERC) • Ventura—Northern Border Pipeline, Ventura (IFERC) • Waha—Waha Hub, West Texas (IFERC)
Settlement Currency:	Currency in which payments are made between the two counterparties: • USD • CAD (AECO only)
Quoting Convention and Minimum Increment:	Notional amount, as agreed by counterparties.
Minimum Size:	Notional amount, as agreed by counterparties.
Notional Currency:	Currency in which payments are made between the two counterparties: • USD • CAD (AECO only)

Trading Conventions:	Buy or Sell on the near leg and Buy or Sell on the far leg. These would be reversed so that if the first leg is buying the second leg must be selling, for instance.
Calculation Periods:	Two calculation periods – one for each leg of the spread. A single date or date range over which the reference price of the commodity will be calculated. If a date range the reference price will be averaged across the days, contracts or publication source issues as agreed by the counterparties.
Settlement Date(s):	Specified settlement or payment date when the floating amounts are exchanged.
Settlement Procedure:	Bilateral cash settlement performed in settlement currency.

<u>EXHIBIT D</u>

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 Natural Gas – Date/Instrument Spread Contracts (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).

<u>Appendix B to Part 37</u>

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.

This Contract, a natural gas date/instrument spread, is a cash-settled agreement between two counterparties, whereby one counterparty agrees to pay a floating amount calculated based on the reported price for natural gas at a given hub to the other counterparty on a given date, and then receive a

different floating amount, from the other counterparty on a different, later date, based either on the reported price for the same hub ("date spread") or a different hub ("instrument spread"). The difference between the two floating amounts is the spread, which is the quoted price for the contract. The floating amounts are based on the notional quantity traded and the at-hub price reported by the relevant market publication. The sources for the at-hub price are market publications that are reliable, widely-accepted and publicly available and have, in fact, been used by regulated futures exchanges in setting their contracts.

(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 natural gas – date/instrument spread contracts that are commonly offered in the market and are listed in Exhibit C.

This Contract, a commodity date/instrument spread, is a cash-settled agreement between two counterparties, whereby one counterparty agrees to pay a floating amount to the other counterparty on a given date; and then receive a different floating amount from the other counterparty on a later date, on the same futures contract. Thus, while the Contract has fixed terms, such as the trading hours, many terms are flexible.

First, by agreement, counterparties determine the commodity upon which the Contract will be based from the list above (see Exhibit C). Second, counterparties also determine the dates on which the respective payments must be made, and the currencies (see Exhibit C) on which the notional value and the settlement value, respectively, will be based. Finally, counterparties are able to choose whether each floating price will be the price on a single date or the average of the prices over a specified date range.

Other flexible terms include the Contract's: notional amount, minimum size, and settlement date. The trading hours, however, are fixed: Sunday to Friday Eastern Time. The Contract is not traded between 5:30 p.m. and 6:30 p.m. Eastern Time. The Contract is not readily susceptible to manipulation because, though the Contract has many flexible terms, all of the essential terms – except for the floating prices – are agreed upon at the start of the Contract. In addition, as noted above, the floating prices are based on market publications – all reliable and widely accepted sources.

Contract Not Readily Susceptible to Manipulation

The Contract is not susceptible to manipulation for a number of reasons. First, as noted above, all of 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 date spread, except for the floating prices. Second, the floating price is based on market publications or on the price of the applicable futures contract, which is available directly from the respective exchanges – all reliable and widely accepted sources. Third, 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

As described above, the cash settlement price will be calculated thusly:

(a) On the last day of the first calculation period – which could be either a single date or the last day of a date range, depending on the determination of the counterparties – the price will be determined based on the price of natural gas a stated hub published by one of a series of industry publication. If the counterparties choose to use a date range, the reference price will be averaged across the days, contracts or publication source issues as agreed by the counterparties.

(b) The same calculation will be repeated on the last day of the second calculation period, either for the same hub (for a date spread) or another hub (for an instrument spread) resulting in the second floating price.

(c) The counterparties will then calculate the difference between the two floating prices and multiply that difference by the notional amount based on the notional currency that the counterparties designated at the start of the Contract.

(d) On the settlement date, which was also designated at the start of the Contract, the counterparties will exchange payment amounts (which can be netted) in the settlement currency to which they agreed at the start of the Contract.

This method of cash settlement is consistent with the customary practice of cash-settling commodity date

spread contracts in the market.

(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.

As noted above, 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 largely based on factors that are fixed at the start, and 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 the information on the price of futures contracts is publicly available, a licensing agreement is not

necessary.

(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 cash settlement price is publicly available from the relevant publisher.

(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 second calculation period, 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, netted payments will be made on the settlement date in accordance with the cash settlement method described above.

(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.